

Bank held liable for refusing customer deposit during demonetisation - BS

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The National Commission noted that the government notification did not confer any right on the bank to refuse acceptance of deposits; it could only refer them for scrutiny

Procure Logistics Services, a private limited company based in New Delhi, had a current account with Axis Bank. On November 8, 2016, the government issued a notification to demonetise currency notes of ₹500 and ₹1,000, but permitted people to deposit or exchange these notes on or before December 30, 2016.

The company initially deposited ₹8 lakh on November 10, 2016. Subsequently, it attempted to deposit a further ₹99 lakh, but the bank refused to accept it. The company placed this on record by sending an email dated November 25, 2016, stating that the cash deposit conformed to its audited accounts and income-tax returns and, hence, ought to be accepted since it was being deposited within the period specified in the notification. The bank did not respond.

The company then attempted to deposit cash of ₹20 lakh, but the bank did not accept it and contended that it was a suspicious deposit. The company submitted fresh KYC (know your customer) documents along with its audited accounts for two years, but the bank failed to pay heed. Finally, after much follow-up, the bank replied that its refusal to allow the deposit was in consonance with its internal policy. The company questioned the authority under which the bank had formulated a policy contrary to the government notification, and even volunteered to give any undertaking or submit any compliance so that the deposit would be accepted. But the bank maintained its adamant stand.

The company then approached the Reserve Bank of India (RBI) on January 2, 2017, and January 13, 2017, but no action was taken to resolve the grievance. The company filed a writ petition in the Supreme Court, which directed the RBI to pass a speaking order on the company's representation.

The company finally knocked on the doors of the National Consumer Disputes Redressal Commission (NCDRC, or National Commission) by filing Complaint No. 2755 of 2018, alleging that the bank had caused it a loss of ₹3,19,58,500 by disallowing the deposit of the demonetised currency. The bank contested the case, questioning its maintainability, as the dispute concerned a current account opened for a commercial

purpose. It also pointed out that the multiple deposits made the transactions appear suspicious, so it had rightly refused to allow them.

The National Commission noted that, even though the company had proactively informed the bank about the cash deposit and had even offered to produce its accounts to establish the cash in hand, the bank had refused to accept the deposit. It noted that the bank had been unable to furnish any satisfactory explanation for its refusal to accept the money, especially after the company submitted fresh KYC documents and audited accounts for two years.

The Commission observed that the bank was under a statutory obligation to monitor and report large, suspicious cash transactions. It noted that the notification did not give it any right to refuse acceptance of deposits even if they appeared to be suspicious, but only vested the bank with the authority to refer them for scrutiny and ascertainment of whether the cash was unaccounted for.

In its order dated March 10, 2026, delivered by Jonnalagadda Rajendra, heading the Bench along with Anoop Kumar Mendiratta, the National Commission held Axis Bank liable for refusing to accept the deposits in contravention of the government notification. It ordered the bank to make good the loss by paying ₹3,19,58,500 along with 6 per cent interest from December 30, 2016, till the date of payment. It gave the bank two months for compliance. Any delay would attract 9 per cent interest.

The writer is a consumer activist
