

LEGALFOXES LAW TIMES

Case Commentary

Archana M. Kamanath V. Canara Bank and Anr ¹.

Bench: Beijesh Kumar & Dr A.R. Lakshman

FACTS OF THE CASE

The appellant raised an issue in front of the honourable court against the respondent no. 1, i.e. Canara Bank, stating that the Canara Bank(bank) took inconsistency to charge the sum of Rs. 50 for the issuance of 50 leaves of M.I.C.R cheques.

The grievance of the case was that the amount charged had not been conveyed and was not charged earlier for the issuance of the cheque book. The same has been introduced without any prior information and consent of the appellant. It amounted to coloured action on the part of the respondent no.1 – BANK.

ISSUES OF THE CASE

A. Appellant's Submissions:

- i.** The appellant raised the issues by stating the very facts of the case.
- ii.** That the appellant was not informed about the charged amount of Rupees Fifty to be charged for the M.I.C.R cheques, therefore, the appellant approaches the Bombay Consumer Disputes Redressal Forum & Bombay Suburban District (in short 'the District Forum) with the complaint as mentioned earlier. Where the District Forum ultimately allowed the petition preferred by the appellant.
- iii.** Moreover,It was also found that such a charge as imposed by the bank was detrimental to the interest of the customer².

¹Case no.: Appeal (civil) 14562-14563 of 1996

² Supra at page no.1 Paragraph no.2 of the Judgement

B. Respondent's Submissions:**i. The Bombay Consumer Disputes Redressal Forum & Bombay Suburban District**

The appellant approached the Bombay Consumer Disputes Redressal Forum & Bombay Suburban District (in short 'the District Forum') with the complaint described above. It was stated by the District Forum that the bank was not justified in recovering the charges for the supply of leaf of cheques as it could not be done unilaterally without the consent of the customer. It was always observed by The District Forum that there no data/information which is provided by the bank in this regards to the customer or the appellant. That may indicate the cost it incurs in obtaining such cheque books. It was also found that such a charge as imposed by the bank was detrimental to the interest of the customer. Ultimately, with such observations, a direction was issued by the District Forum to the bank to refund the amount of Rs. 50 or other similar amounts, if charged, from the customer for the supply of MICR cheques leaves.

ii. Maharashtra State Consumer Disputes Redressal Commission

The bank in appeal has approached the Maharashtra State Consumer Disputes Redressal Commission (in short 'the State Commission'), Bombay after the approach of the appellant in the District Forum. By the State Commission, it was found that was a director of the Reserve Bank of India (in short 'the R.B.I.') to the Banks providing that the Banks would not be charging for clearing of the cheques³. It also has been repelled by the State Commission that the charge of Rs.50 was being recovered to meet on behalf of expenses in the printing of the cheques so that the customers may bot indiscriminately use the cheques as mentioned by the bank. The appeal in State Commission was dismissed, and the order given by the district Forum was upheld.

iii. The National Consumer Disputes Redressal Commission, New Delhi

The bank, aggrieved by the order passed by the State Commission in appeal, approached the National Consumer Disputes Redressal Commission, New Delhi (in short 'the National Commission'). The National Commission held that the charges which the Banks chose to levy, for providing their services by the supply of MICR cheque, fell in the realm of pricing. It is on account of consideration for providing banking services. Hence it was not within the jurisdiction of the Forums to go into that question relating to the pricing of such services. With the above observations and findings, the National Commission allowed the revision and set aside the orders passed by the District Forum and the State Commission.

³ Supra at page no.1 Paragraph no.3 of the Judgement

ANALYSIS OF ISSUES

Meaning of M.I.C.R:

Magnetic ink character recognition (MICR) is the information that appears at the bottom of a check. This includes the bank's routing number, the customer's account number, and the check number. The magnetic ink character recognition line is printed using technology that allows specific computers to read and process the printed information. Using MICR, computers can rapidly internalize routing numbers, account numbers, and other information from printed documents, including checks. MICR numbers, letters, and symbols are printed with magnetic ink or toner, usually in one of two primary MICR fonts. The magnetic ink allows the computer to read the characters even if they have been covered with signatures, cancellation marks or other marks⁴.

ANALYSIS OF THE JUDGEMENT

- Much stress has been placed on the point that the charge has been unilateral, without consent and against the directives of the R.B.I. The honourable court is not impressed by the submission made on behalf of the appellant.
- The fact which cannot escape notice is that recently there has been a large scale change and improvement in the working and method and manner of functioning of various institutions, including Banks. Very many services, which were not available earlier, have been introduced with the aid of mechanical and technological devices. Introduction of computerization has its effect; one of which is the introduction of MICR cheques.
- There is no denying of the fact, from either side, that it facilitates the clearance of the cheques and avoids unduly long time-consuming process in cheque clearance, which are issued by the customers within the city or in any other part of the country.
- Therefore, to say that it was only for the facility of the bank itself that the MICR was introduced, would not be correct nor the argument that it could not be permissible for the bank to make up some amount of the cost incurred in introducing the new and modern infrastructure for improving its working. Such small charges necessitated due to general modernization of its functioning and services, the question of it being unilateral, does not arise nor the question of consent of each customer.

⁴M.I.C.R, available at <https://www.investopedia.com/terms/m/magnetic-ink-character-recognition-line-micr.asp>last accessed on 17/09/2019))

- Furthermore, as mentioned the issue that the amount was being charged for MICR cheques against the directives of the R.B.I. also does not hold water. In this connection,
- A perusal of the said documents only indicates that the instructions of the R.B.I. were that the processing charges of cheque, payable by the Banks to the R.B.I, were not to be passed on to the customers. Beyond that, there were no instructions at all saying that the Banks would not be charging any amount for issuing MICR cheques to their customers or for the better services rendered for clearance of cheques by introducing any modern and new methods to undergo the whole process. There seems to be a complete misreading of the letters issued in that regard by the R.B.I there is no merit in the appeals.

RESEARCHER'S INFERENCE:

Advancement of technology:

Ever since the 18th century, the banking sector has been evolving, and it is known as one of the oldest businesses in the world. It has progressed and grown with every passing year. Although in recent years, the industry has transformed with the help of technology. Banks were always regarded as a place with long queues, and an unmanageable amount of paperwork. Due to technological advancements in the banking sector, the need for labour and papers has reduced a lot⁵.

CONCLUSION

The documents stating that instruction given by R.B.I was misread,charges of cheque, payable by the Banks to the R.B.I, were not to be passed on to the customers. Beyond that, there were no instructions at all saying that the Banks would not be charging any amount for issuing MICR cheques. The order passed by the National Commission setting aside the orders passed by the District Forum and the State Commission calls for no interference.

⁵ Advancement of technology available at <https://www.yesbank.in/life-matters/how-technology-has-changed-the-face-of-banking-industry> (last accessed on 17/09/2019)