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Court : Andhra Pradesh State Consumer Disputes Redressal Commission
SCDRC Hyderabad

Decided On : Feb-24-1995

Judge : A. Venkatarami Reddy, President, the Honourable Mrs. J. Ananda Lakshmi, Member & the Honourable Mr. K. Ranga Rao, Member

Appeal No. : F.A. No. 680 of 1994

Appellant : Venkat Narayan

Respondent : The Manager, Lic of India and Another

Judgement :

A. Venkatarami Reddy, President:

1. Aggrieved by the order of the District Forum, Nizamabad in CD. 114/93/whereby it dismissed his complaint, this appeal is preferred by the complainant.

2. The case of the complainant is that he took the LIC policy from the opposite parties for a sum of Rs. 25,000/- on 13.10.1962. He availed a loan of Rs. 5,100/- on 20.6.1975. But failed to pay the interest on the loan every half year regularly. When the policy became matured on, 13.10.1992, the opposite parties paid to the complainant including bonus after deducting the loan amount and interest thereon a sum of Rs. 30,669.80 Ps. The complainant accepted the said amount as protest as the interest of Rs. 18, 265/- on the loan amount calculated is exorbitant which is more than 3 times the principal amount. It is also alleged that the opposite

parties ought to have adjusted the yearly bonus to the complainant towards the interest on the loan amount of Rs. 5,100/-. On account of which the complainant sustained huge loss of Rs.18,265/-. He, therefore, claimed reimbursement of the said amount of Rs. 18,265/- i.e., the amount of interest on the loan and also damages of Rs. 50,000/- and costs against the opposite parties.

3. The opposite parties filed a counter pleading that the complainant paid all the premiums under the policy and the complainant obtained a loan of Rs. 5,100/- and did not pay the loan amount of Rs. 5,100/- nor the interest thereon every six months from the date the loan i.e., 20.6.75. According to the terms of the loan, on failure to pay interest every six months, the compound rate of interest will be charged half yearly. It is their case that the complainant obtained a loan of Rs. 5,100/- on 20.6.75 and agreed to the loan conditions and agreed to pay interest at 9% every half year and as the complainant did not pay the loan amount nor the interest thereon every half year right from the date of obtaining of the loan and that the interest calculated upto the date of maturity i.e., 13.10.1992 on the loan amount at the rate of 9% compound half yearly was deducted from the sum accrued, the bonus which the complainant is entitled was added after the deductions as shown in the letter dated 26.8.92, the balance of Rs. 30,669.80 Ps is paid to the complainant. It is, therefore, their case that there is no deficiency of service on their part and the complaint is frivolous and is liable to be dismissed.

4. In support of the case of the complainant, the complainant was examined as PW 1 and Exs. A-1 to A-3 were marked. On behalf of the opposite parties RWs 1 and 2 are examined and Exs. B-1 to B-7 were marked.

5. The District Forum held that the complainant agreed to pay interest at 9% p.a. on Rs. 5100/- with compound interest. If there is default in payment of interest quarterly, it also found that in the policy itself it was mentioned that the bonus will be payable along with the sum accrued at the time of maturity and it cannot be said that the debt is not liable to be reopened and scaled down in view of the provisions of Sec. 4 (3) of the Madras Agricultural Debt Relief Act. It accordingly dismissed the complaint.

6. In this appeal preferred, it is firstly submitted that the complainant initially borrowed on the assignment of the policy a sum of Rs. 2500/- on 14.7.91 agreeing to pay interest at the rate of 7%. Subsequently the complainant wanted a further loan on the assignment of the same policy. According to the complainant a further loan of Rs. 2600/- was granted on 20.6.75 stipulating the payment of interest at 9% p.a. He, therefore, liable to pay interest at the rate of 7% on Rs. 2500 / - with half yearly rests from 14.7.91 and also liable to pay interest at the rate of 9% on Rs. 2,600/- with half yearly rests from 20.6.75 and that, therefore, the calculation of interest by the opposite parties at 9% on Rs. 5,100/- from 20.6.75 till the date of maturity i.e., a sum of Rs. 18,265/- is not correct. We are not inclined: to agree with the said contention. The complainant no doubt borrowed a sum of Rs. 2,500/- on 14.7.71 wherein, the rate of interest stipulated was 7%. But subsequently in the year 1975, he took further advance of Rs. 2600/- on 20.6.75 that is the maximum amount that could be granted under the policy. But it is to be seen from Ex.B6 that the opposite parties deducted the interest at Rs. 769.30 Ps and paid only the balance of Rs. 1830.70 Ps. It is, therefore, clear that the interest payable on the earlier loan was deducted from this loan amount and as the complainant agreed to pay interest at 9% the opposite parties rightly charged at that rate on the sum of Rs. 5,100/- from 20.6.75. The complainant himself stated in the complaint that he borrowed a sum of Rs. 5100/- on 20.6.75. The only grievance in the complaint was that the interest charged at 9% is excessive and as the interest amount exceeded the principal amount, the opposite parties is not entitled to deduct the same from the maturity value of the policy. The District Forum rightly held that the complainant agreed to pay interest at 9% compoundable with half yearly rests and he did not pay any amount right from the date of loan till the date of the maturity of the policy, the opposite parties rightly charged the interest. Moreover whether the interest is excessive and whether the debt can be scaled down are not the matters within the purview of the Consumer Protection Act. Since the opposite parties charged 9% rate of interest as agreed upon and the bonus can be adjusted only after the maturity of the policy, we are satisfied that there is no substance in the contentions raised by the complainant in the appeal.

7. The appeal is accordingly dismissed. There shall be no order as to costs.

Appeal dismissed.

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