Section 36AAA of the Banking Regulation Act does not require RBI to grant a personal hearing before superseding the Board of a co-operative bank, because the Legislature deliberately omitted such a requirement from that provision while expressly including it in Section 36AA

The **Kerala High Court** in the case of **M.P Jackson vs Reserve Bank of India [WP(C) No. 3275 of 2026] dated July 03, 2026**, has held that Section 36AAA of the Banking Regulation Act does not require RBI to grant a personal hearing before superseding the Board of a co-operative bank, because the Legislature deliberately omitted such a requirement from that provision while expressly including it in Section 36AA. Secondly, the proviso to Section 36AAA(1) makes consultation with the concerned State Government mandatory, and consultation only with the Registrar of Co-operative Societies is not sufficient compliance. Any order passed without such consultation is legally unsustainable.

The Court also affirmed that RBI is legally competent to supersede the managing committee of a co-operative bank under the Banking Regulation Act even if that committee is democratically elected under the State co-operative law. The Court observed that although orders causing civil consequences ordinarily attract the requirement of a hearing, the statutory scheme here was different. It noted that Section 36AA expressly provides a reasonable opportunity of representation before removal of managerial persons, whereas Section 36AAA, dealing with supersession of the Board of a co-operative bank, contains no such requirement. The omission was treated as deliberate, and the Court held that a hearing cannot be read into Section 36AAA.

On the consultation requirement, the Court drew a clear distinction between the "State Government" and the "Registrar of Co-operative Societies." It held that while the Registrar may be a competent officer in matters concerning co-operative societies, consultation with the Registrar is not the same as consultation with the State Government when the statute specifically requires consultation with the State Government. The Court said that where a statute prescribes that an act must be done in a particular manner, it has to be done in that manner alone.

On RBI's power to supersede an elected committee, the Court rejected the petitioner's democratic-governance objection. It held that in the case of co-operative societies carrying on banking business, the Banking Regulation Act also applies, and RBI has independent authority under Section 36AAA to supersede the Board of Directors. The democratic structure under the Kerala Co-operative Societies Act does not immunise a co-operative bank from RBI action under the central banking law.