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The **Bombay High Court** in the case of **Bhalchandra Dinkar Gondekar vs Reserve Bank of India [Writ Petition No. 8534 of 2022]** dated **March 09, 2026**, has ruled that the scope of judicial review in matters of economic and financial policy, particularly schemes of bank amalgamation formulated by the Reserve Bank of India under Section 45 of the Banking Regulation Act, 1949, is extremely limited. Courts will not interfere with the expert judgment of a specialized regulatory body like the RBI unless the decision is proven to be arbitrary, irrational, mala fide, or vitiated by procedural impropriety.

The Court explained that a scheme of amalgamation framed under Section 45 of the Banking Regulation Act, 1949, can validly create different classes of depositors (e.g., retail and institutional) and provide for differential treatment, including staggered repayment schedules and reduction of interest. Such classification is not violative of Article 14 of the Constitution, provided it is based on an intelligible differentia and has a rational nexus with the object of the scheme, which is to act in the public interest and the interest of depositors to save a failing bank.

Section 45 of the Banking Regulation Act, 1949, is a self-contained code for the amalgamation of banking companies in emergent situations. Its provisions, by virtue of the non-obstante clause in Section 45(14), have an overriding effect on any other law, agreement, or instrument. This includes the power to reduce interest and rights of depositors and creditors to the extent the RBI considers necessary in the public interest, which is a permissible restriction and not an unconstitutional deprivation of property, added the Court.

On the issue of discrimination and classification of depositors, the Court observed that the classification between retail depositors (individuals, proprietorships, HUFs) and institutional depositors (corporations, firms, societies) is based on their distinct characteristics and nature of deposits. The Court held that this classification is reasonable and has a rational nexus to the object of the scheme, which is to serve the public interest and protect the maximum number of depositors by prioritizing individuals over institutions.

The Court noted that while Article 14 forbids class legislation, it permits reasonable classification. Treating these two distinct classes differently does not amount to treating equals unequally. The Court also justified prioritizing smaller depositors, stating that it catered to approximately 84% of the total depositors, thereby preventing potential widespread unrest.

On the issue of staggered payments, denial of interest, and deprivation of property, the Court observed that Section 45(5)(f) of the Banking Regulation Act, 1949, explicitly permits a scheme of amalgamation to include provisions for the 'reduction of the interest or rights' of depositors and creditors. Given the precarious financial condition and negative net worth of PMC Bank,

the RBI was empowered to take such measures to ensure the stability of the transferee bank and the eventual repayment of the principal amount to all depositors.

The Court reasoned that the alternative was liquidation, under which depositors would have likely received only up to the DICGC insured amount of Rs. 5 lakhs, and that too after a prolonged process. Therefore, the scheme, by ensuring 100% return of the principal amount, was a more favourable outcome for depositors.

On procedural impropriety and lack of consultation, the Court, relying on the RBI's affidavit, noted that the draft scheme was placed in the public domain, suggestions were invited, and appropriate changes were made before finalization. The Court held that Section 45 provides for an adequate opportunity for representation through written objections and does not mandate an oral hearing for every depositor. It affirmed that in such emergent situations involving a large number of stakeholders, considering written representations is sufficient compliance with the principles of natural justice.

On the role and liability of DICGC, the Court observed that the liability of the DICGC is fixed by the DICGC Act, 1961, at the insured amount (Rs. 5 lakhs per depositor). The withdrawals allowed during the moratorium were to provide immediate relief to depositors facing hardship. The Court found no violation of the DICGC Act, stating that the scheme ensured the DICGC's liability was met as per the statute and that the transferee bank was obligated to repay the DICGC over time, as permitted by law.