

IN THE NATIONAL CONSUMER DISPUTES REDRESSAL
COMMISSION AT NEW DELHI

RESERVED ON: 28.11.2025
PRONOUNCED ON: 10.03.2026

CONSUMER COMPLAINT NO. 2755 OF 2018

Procure Logistics Services Private Limited

(A company incorporated under the Companies Act, 1956

Having it's Registered office at:

10/5, Nehru Enclave,

Kalkaji Extension, New Delhi

Corporate Office at:

C-49, DDA Shed,

Near Okhla Police Station

Okhla Industrial Area, Phase-I,

New Delhi-110 020

... Complainant

Versus

AXIS BANK LIMITED

Corporate Office at:

Axis House, Wadia International Centre,

Pandurang Budhkar Marg, Worli, Mumbai- 400 025

Also at:

Eros International Tower,

Ground Floor,

Nehru Place Branch, Nehru Place, New Delhi

... Opposite Party

BEFORE:

HON'BLE AVM JONNALAGADDA RAJENDRA, AVSM, VSM (Retd)

PRESIDING MEMBER

HONBLE MR. JUSTICE ANOOP KUMAR MENDIRATTA, MEMBER

For the Complainant (s) : Mr. Nalin Kohli, Sr. Advocate
Mr. Anshul Malik,
Mr. Anant Bhushan,
Mr. Ayyushman Aroraa, Advocates

For the Opposite Party (s): Mr. Siddharth Dutta and
Mr. Pratyush Singh, Advocates



JUDGMENT

AVM JONNALAGADDA RAJENDRA, AVSM VSM (Retd.), MEMBER

1. The present Consumer Complaint has been filed under Section 21 of the Consumer Protection Act, 1986 (for short "the Act") against the Opposite Parties with the following prayer:

"a. Direct the Opposite Party/ Axis Bank to henceforth refund the amount equivalent of SBN's, i.e. an amount equivalent to Rs. Rs.3,19,58,500/-, being in possession of the Complainant because of the arbitrary actions and deficient services of the Opposite Party/ Axis Bank in the KYC complaint bank account of the Complainant;

b. Direct the Opposite Party/ Axis Bank to pay a composite sum of Rs.3,00,00,000/-(Rupees Three Crores Only) as compensation for mental agony, pain, harassment, torture and sufferings, loss caused to the complainant due to the arbitrary actions and deficient services of the Opposite Party in favour of the Complainant;

c. Direct the Opposite Party / Axis Bank to pay the cost of carrying out this complaint along with legal and other miscellaneous expenses incurred by the Complainant;

d. Any other relief which this Hon'ble Court may deem fit and proper may also be passed in favour of the Complainant and against the Opposite Party/ Axis Bank."

2. Brief facts, as per the complaint, are that the Complainant had maintained a Current Account with OP Bank since its inception in the year 2011. On 08.11.2016 'Demonetisation' of currency notes of Rs.500 and Rs.1000 was declared, and the consequential notifications and press releases were issued by the Min of Finance and the Reserve Bank of India, declaring that the said bank notes ceased to be a legal tender with effect from the midnight of 08.11.2016. As per these notifications, the general public was permitted to deposit or exchange these bank notes in their KYC-compliant Bank Accounts on or before 30.12.2016. Accordingly, the Complainant deposited Rs.8,00,000 on 10.11.2016 in its Current Account maintained with OP. Thereafter, they



sought to deposit further amount, including Rs.99,00,000, but faced resistance and obstruction from the OP, despite the Account being KYC compliant. The Complainant addressed an e-mail dated 25.11.2016 to the OP explaining that as per its audited balance sheet, the cash in hand as on 31.03.2016 was Rs.6,49,55,150 and sought permission to deposit such legitimate cash during the specified period. No response was received to the same. The Complainant subsequently managed to deposit a further sum of Rs.20,00,000 on 10.12.2016. However, this deposit too was resisted by the OP Bank on grounds of suspicion. The Complainant continued to correspond with the OP through multiple e-mails reiterating that their Current Account was KYC-compliant as required for several years and that the cash sought to be deposited was duly reflected in its audited accounts and Income-Tax returns. On the instructions of the officials of OP bank, the Complainant had also got its Account re-verified for KYC purposes and submitted Audited Balance Sheets of the preceding two years. Despite repeated representations, no satisfactory response was received from the OP Bank. Eventually, vide e-mail dated 21.12.2016, the OP informed the Complainant that, as per its internal policy, the cash deposits sought to be made cannot be accepted. The Complainant questioned the authority and basis of such refusal and escalated the matter to the top management of OP. Further correspondence ensued, including a last request dated 29.12.2016, wherein the Complainant expressed willingness to furnish any desired undertaking to enable acceptance of the deposits before the cut-off date of 30.12.2016. However, the OP did not accede to the said request. Aggrieved by the refusal to accept the deposit of currency notes amounting to Rs.3,19,58,500 in its completely KYC-compliant Account, the Complainant approached the RBI vide representations dated 02.01.2017 and 13.01.2017. Thereafter, they filed Writ Proceedings

CC/2755/2018



before the Hon'ble Supreme Court, which culminated in directions to the RBI to pass a reasoned and speaking order on the representations of the Complainant. According to the Complainant, due to the arbitrary, negligent and deficient conduct of the OP Bank in refusing to accept legitimate, tax-paid cash in its KYC verified and re-verified Account within the permitted period, the Complainant was left in possession of the specified bank notes worth Rs.3,19,58,500 even after 30.12.2016. The Complainant asserted that such refusal was without authority of law, contrary to the applicable notifications and guidelines, and amounted to gross deficiency in service and unfair conduct of the OP. Consequently, the present complaint was filed.

3. Upon notice, the complaint was resisted by the OPs by filing their Written Version, wherein, it raised preliminary objections and denied all allegations made in the complaint except those specifically admitted. It was contended that the complaint was not maintainable, as the Complainant had already initiated multiple proceedings on the same cause of action against the Reserve Bank of India before the Hon'ble Supreme Court. The OP asserted that it had duly responded to the RBI and had acted strictly in accordance with the demonetisation policy of the Government of India and the Circulars and directions issued by the RBI, leaving no surviving cause of action against it. It was contended by the OP Bank that the Complainant's Current Account was categorised as a high-risk Account since inception and was, therefore, subjected to enhanced scrutiny under RBI-mandated KYC norms. The OP Bank further contended that the Complainant did not fall within the definition of "consumer" under Section 2(d) of the Consumer Protection Act, 1986, as the Account was maintained exclusively for commercial purposes and the banking services availed were purely commercial in



nature. Pursuant to 'Demonetisation' announcement dated 08.11.2016, the RBI Circular No. RBI/2016-17/112 governing the deposit of the said specified bank notes clearly provided that such deposits were not automatic but were subject to enhanced scrutiny in terms of KYC compliance and proof of identity, particularly in cases involving large or suspicious deposits. The OP Bank was statutorily bound to comply with these directions and could not act contrary thereto. It was further contended that the demonetisation policy and the related RBI circulars were challenged before the Hon'ble Supreme Court and these were never stayed. The OP Bank alleged that the Complainant suppressed material facts, including the pendency of W.P.(C) No. 260 of 2017 before the Hon'ble Supreme Court, wherein the OP was also arrayed as a party on the same cause of action. On this basis, it was contended that the present complaint is not maintainable and that this Commission ought not to adjudicate upon issues which were sub judice before the Hon'ble Supreme Court. The OP Bank contended that it had acted in compliance with Rule 114E of the Income Tax Rules, the RBI Master Circular on KYC/ AML norms dated 01.07.2013 and the enhanced due diligence requirements applicable to high-risk accounts. The OP Bank contended its statutory obligation to scrutinise such large cash deposits, ascertain the source of funds and report suspicious transactions, and that the Complainant's insistence on depositing large cash amounts without adequate verification was contrary to binding RBI norms. The OP submitted that during the demonetisation period the Complainant deposited specified bank notes for Rs.8,00,000, Rs.99,00,000 and Rs.20,00,000 on different dates. It was contended that despite repeated requests, the Complainant remained evasive regarding the source of funds and failed to furnish complete documentation, including audited balance sheets or any Chartered Accountant's certification. These



documents were not even filed along with the complaint. The OP denied any arbitrariness or non-response and submitted that the Complainant's e-mails dated 21.12.2016 and 27.12.2016 were duly replied to, informing that the matter had been examined internally and that further deposits could not be accepted in view of internal policy, statutory obligations and enhanced due diligence norms, and that subsequent communications were an afterthought intended only to create a record. It was contended that the Complainant was a habitual litigant indulging in forum shopping by seeking the same relief before multiple forums on the same cause of action, despite having already approached the Hon'ble Supreme Court through writ and contempt proceedings. It was also pointed out that the Complainant admittedly remained in possession of the specified bank notes amounting to Rs.3,19,58,500, allegedly in contravention of the Specified Bank Notes (Cessation of Liabilities) Act, 2017. The OP reiterated that, being a custodian of public money, it had acted strictly in accordance with law, RBI directions and Government policy, and that no deficiency in service was attributable to it, the alleged hardship, if any, is a consequence of the Complainant's own non-compliance. They sought for dismissal of the complaint.

4. The Complainant had filed rejoinder to the Written Statement filed by the Opposite Party and reiterated the facts of the complaint.

5. The complainant filed its evidence on Affidavit and relied on the authorization letter of the deponent as the authorized representative of the company (Ex CW1/P-1), certificate of incorporation issued by the registrar of companies (Ex CW1/P-2), press release dated 08.11.2016 issued by Ministry of Finance, along with notification dated 08.11.2016 issued by RBI being RBI/2016-17/112 (Ex CW1/P-3), email dated



25.11.2016 from the Complainant to OP/ Axis Bank (Ex CW1/P-4), email dated 14.12.2016 to Axis Bank (Ex CW1/P-5), email dated 07.12.2016 to Axis Bank (Ex CW1/P-6), visitors register maintained by the Complainant Co. (Ex CW1/P-7), the audited books of accounts with audit report handed over to the OP Bank (EX CW1/P-8), email dated 19.12.2016 to the Axis bank (EX CW1/ P-9), email dated 21.12.2016 by the OP Bank to the Complainant (EX CW1/P-10), Return/ Reply email dated 21.12.2016 by Complainant (EX CW1/P-12), response email dated 27.12.2016 by the Axis Bank to the Complainant (Ex CW1/P-13), Email dated 29.12.2016 by the Complainant (ExCW1/P-14), letter dated 02.01.2017 by the Complainant to the RBI (Ex CW1/P-15), letter dated 13.01.2017 by the Complainant to the RBI (Ex CW1/P-16), order dated 10.02.2017 passed by the Hon'ble Supreme Court (Ex CW1/P-17), the case status WP(C) 260/2017 as downloaded from the website of the Hon'ble Supreme Court (Ex CW1/P-18), Order dated 02.02.2018 passed in Contempt Petition No. 1933/2017 in WP(C) 77/2017 (Ex CW1/P-19), and media reports (Ex CW1/P-20).

6. The OP filed its evidence on Affidavit and relied on the Reserve Bank of India Circular dated 08.11.2016 (Ex RW1/1), order of Hon'ble Supreme Court in Vivek Narayan Sharma Vs. Union of India, WP (Civil) No. 906 of 2016, dated 16.12.2016 (Ex RW1/2), current status of Procure Logistics Services Private Limited Vs. Reserve Bank of India and Ors. WP (Civil) No. 260/2017 as available online (Ex RW1/3), order dated 21.01,2019 passed by the Hon'ble Supreme Court in Procure Logistics Services Private Limited Vs. Reserve Bank of India and Ors, master circular on KYC Norms dated 01.07.2013 (Ex RW1/5), deposit form filled out by the Complainant for cash deposits and documents submitted at such time during demonetization (Ex RW1/6), letter from



RBI dated 25.01.2017 (Ex RW1/7), response to this letter by OP dated 02.03.2017 (Ex RW1/8), RBI Circular on enhanced due diligence DBR. AML.BC. 48/14.01.01/2016-2017 dated 15.12.2016 (Ex RW1/9) and Specified Bank Notes (Cessation of Liabilities) Act. 2017 (Ex RW1/10).

7. The learned counsel for the Complainant reiterated the facts and background of the complaint, rejoinder and evidence brought on record and argued that the Complainant was a duly incorporated company under the Companies Act, 1956 and a law-abiding business entity. It was maintaining a fully KYC-compliant Current Account with the OP Bank at its Nehru Place Branch since 2011. He asserted that the Complainant had consistently complied with all regulatory and KYC norms and requirements and had never been in breach of any banking norms. The learned counsel argued that pursuant to the Gazette Notification dated 08.11.2016 issued by the Ministry of Finance, Government of India and corresponding RBI Notification No. RBI/2016-17/112 dated 08.11.2016, the specified bank notes ceased to be legal tender. He relied Para 3(c)(i) of the RBI notification, which expressly provided that 'there would be no limit on the quantity or value of the specified bank notes that could be deposited in a Bank Account where KYC compliance was complete'. He argued that since the Complainant Bank Account was fully KYC-compliant, the OP was legally bound to accept the deposits tendered by the Complainant during the specified period. He argued that, in accordance with the said Notification, the Complainant deposited Rs.8,00,000 on 10.11.2016; Rs.99,00,000 on 25.11.2016; and Rs.20,00,000 on 10.12.2016 in its Account with OP. However, the deposits, particularly those sought to be made on and after 25.11.2016 were resisted by the OP, causing grave difficulty to the Complainant in depositing its own legitimate funds in its own completely



KYC-compliant Bank Account. The learned counsel asserted that, with due regard to the time window notified by the Govt, to avoid any further complications, the Complainant vide e-mail dated 25.11.2016, had proactively informed the OP in advance of the state of cash balance held by it as on 08.11.2016 as reflected in its audited balance sheet amounting to Rs.6,49,55,150 and sought to deposit the same during the notified period. Despite such disclosure, no response was received from the OP. The deposit made on 10.12.2016 was accepted only after resistance from OP Bank. The learned counsel argued that they thereafter issued a prior intimation dated 14.12.2016 to OP Bank stating that it intended to deposit a further sum of Rs.1.20 crore. Despite such advance intimation, OP refused to accept the deposit. The Complainant again sought clarification from OP Bank regarding the reasons for such refusal, but no satisfactory justification was provided. On instructions of the OP bank, the Complainant even got its Account re-verified for KYC purposes and submitted audited balance sheets of the preceding two years to the officials of OP on 16.12.2016. The learned counsel for the Complainant referred to the Complainant's e-mail dated 17.12.2016, wherein the Complainant specifically recorded the submission of these documents and sought immediate resolution of the issue. He argued that despite this, OP bank failed to facilitate further deposits, which were notified well in time along with documentary clarifications. It was argued that vide e-mail dated 21.12.2016, the OP expressed its inability to accept further cash deposits citing its internal policy, which was glaringly contrary to the express RBI notification dated 08.11.2016, applicable to all KYC compliant Accountholders in notified Banks. He argued that the Complainant contested the said refusal and asserted that such conduct amounted to denial of its legitimate rights as a customer maintaining a KYC-compliant Account. He further argued that,



with the time window becoming critical, the Complainant continued to closely follow up with the OP Bank through e-mails and representations till 29.12.2016, i.e. till the last date prescribed for deposit of specified bank notes, but the OP failed to allow the Complainant to make the deposits in its compliant Account. Due to inaction and refusal of OP, the Complainant had no option to approach the Hon'ble Supreme Court by filing WP(C) No.77 of 2017 and thereafter WP(C) No.260 of 2017. Simultaneously, the Complainant instituted this Consumer Complaint alleging deficiency in service on the part of the OP in illegally refusing to accept cash deposits in a fully KYC-compliant account within the period permitted under law. The learned counsel argued that the refusal of the OP Bank to accept legitimate cash deposits during the notified period, despite complete KYC compliance and repeated disclosures by the Complainant, squarely amounted to deficiency in service, entitling them to reliefs sought from this Commission. He relied on Vivek Narayan Sharma & Ors. Vs. UOI, 2023 SCC OnLine SC 1; National Insurance Co. v. Harsolia Motors (2023) 8 SCC 362; Lilavati Kirtilal Mehta Medical Trust v. Unique Shanti Developers & Ors., (2020) 2 SCC 265; Canara Bank v. M/s. Jain Motor Trading Co., 2013 SCC OnLine NCDRC 656; Managing Director, Maharashtra State Financial Corporation v. Sanjay Shankarsa Mamarde, (2010) 7 SCC 489; Kozyfex Mattresses Pvt. Ltd. v. SBI General Insurance Co. Ltd., (2024) 7 SCC 140; Sugandhi (Dead) through LRs v. P. Rajkumar, (2010) 10 SCC 706; and Arun Bhatiya v. HDFC Bank, 2022 INSC 804 in support of his arguments.

8. On the other hand, the learned counsel for the OP reiterated the facts mentioned in their written version and evidence and argued that the Complainant maintained a Current Account with the OP Bank, which had been categorised as a High-Risk Account since its inception



and was, therefore, subject to enhanced scrutiny under RBI-mandated KYC norms. He asserted that the Complainant was availing banking services purely for commercial purposes and, consequently, the Complainant did not fall within the definition of "consumer" under Section 2(d) of the Consumer Protection Act, 1986. It was argued that pursuant to 'Demonetisation' announcement dated 08.11.2016, the cash deposits of the specified bank notes were governed by the RBI Circular dated 08.11.2016, which expressly stipulated that such deposits were not automatic and were subject to enhanced due diligence, KYC compliance and verification of source of funds, particularly in cases of large or suspicious deposits. The OP Bank, being statutorily bound to comply with these directions, could not act contrary thereto. The learned counsel asserted that the 'Demonetisation Policy' and the RBI Circulars were never stayed by any Court and that the Constitution Bench of the Hon'ble Supreme Court in Vivek Narayan Sharma vs. Union of India (Writ Petition Civil No. 906 of 2016), had categorically held that even the RBI had no power to accept demonetised notes beyond the period prescribed under law. He argued that as a consequence, the relief sought by the Complainant for further depositing of specified bank notes amounting to Rs.3,19,58,500 was legally impermissible. He asserted that under Rule 114E of the Income Tax Rules and the RBI KYC/AML guidelines, the OP was under statutory obligation to monitor large cash transactions, ascertain the source of funds and report suspicious transactions. During the said demonetisation period, although certain deposits were permitted, the Complainant remained evasive regarding the source of funds and failed to furnish the audited balance sheets or any Chartered Accountant's certification in support of its claim of cash-in-hand. He argued that the Complainant was repeatedly advised to make a single consolidated



deposit instead of multiple deposits. The pattern of repeated deposits coupled with lack of supporting documentation raised a reasonable suspicion to the OP Bank that the Complainant was acting as a conduit for certain third-party cash, pursuant to which the OP Bank filed a Suspicious Transaction Report with the Financial Intelligence Unit in accordance with law. It was further contended that despite claiming substantial cash-in-hand, the Complainant sought deposit of only part of the alleged amount and failed to substantiate its claims. The OP, being a custodian of public money, could not act at the Complainant's behest and was duty-bound to act strictly in accordance with law, RBI directions and Government policy. The learned counsel painstakingly argued that the Complainant had already pursued the same grievance with respect to the said cash deposit before multiple fora, including the Hon'ble Supreme Court, and is now seeking to re-agitate the same issues before this Commission and sought the complaint to be dismissed. He relied on Laxmi Engineering Works vs. P.S.G. Industrial Institute, MANU/SC/0271/1995; M/s Anand Nishikawa Company Limited vs. State Bank of Patiala and Ors. (NCDRC) Consumer Case No. 95 of 2006; M/s V and S International (P) Ltd. vs. Axis Bank (NCDRC) Consumer Case No. 56 of 2013; Suttlej Industries Ltd. Vs. Punjab National Bank., (NCDRC) First Appeal No. 306 of 2012; M/s Nidhi Knitwears (P) Ltd. vs. The Manager, Bank of Maharashtra and Anr. (NDRC) Consumer Case No. 143 Of 2014; PPS International and Anr. vs. Punjab National Bank, (NCDRC) Consumer Case No. 68 Of 2009; Subhash Motilal Shah vs. Malegaon Merchants Co-Op Bank. (NCDRC) Revision Petition No. 2571 of 2012; and Vivek Narayan Sharma vs. Union of India. (Supreme Court of India) Writ Petition Civil No. 906 of 2016 in support of his arguments.



9. We have examined the pleadings and associated documents placed on records and rendered thoughtful consideration to the arguments advanced by the learned counsel for both sides.

10. The primary issues to be decided in the present case are:

A. Whether the Complainant is a consumer under the Consumer Protection Act, 1986?;

B. Whether the action of OP Bank in not allowing the deposit of the said bank notes by the Complainant in the Current Account, amounted to violation of the Directives and/or Circulars of the Ministry of Finance, Govt of India or the RBI?

C. Whether such action of the OP Bank in not allowing deposits of specified bank notes by the Complainant amounted to deficiency in service under the Act, 1986?

11. With respect to the issue whether the Complainant is a consumer for the purposes of the Consumer Protection Act, 1986, the foundational issue for consideration is whether the Complainant falls within the definition of a "consumer" under the Act, 1986. In this regard, Section 2(1)(d) of the Consumer Protection Act, 1986 defines a "consumer" as:

"any person who buys any goods for a consideration... or hires or avails of any services for a consideration... but does not include a person who avails of such services for any commercial purpose."

12. The Explanation appended to Section 2(1)(d) further clarifies that:

"commercial purpose" does not include use by a person of goods bought and used by him and services availed by him exclusively for the purpose of earning his livelihood by means of self-employment.

13. Section 2(1)(d) of the Act excludes from the ambit of 'consumer' those persons who avail services for a 'commercial purpose'. However, the expression 'commercial purpose' has been consistently interpreted by judicial pronouncements to depend upon the dominant purpose for



which the goods or services are availed, and not merely on the status of the person availing such services. It is undisputed that the Complainant is a Pvt Ltd Co. and was maintaining a Current Account with OP. However, it is equally well settled that mere fact that an entity is a Pvt Ltd Co. and holding a Current Account does not by itself disqualify it to be a consumer under the Act. The nature of transaction and the context in which the service was availed are in fact decisive aspects. In **M/s V and S International (P) Ltd. vs. Axis Bank**, CC No. 56 of 2013, this Commission has held that the question whether the service availed through a Current Account is for a commercial purpose has to be decided on the facts of each case. A Pvt Ltd Co. can also be a "consumer" where the transaction complained of does not have a direct/proximate nexus with profit generation. It was observed:

"15. It is pertinent to note that though the Complainant Company is having a current account, the question as to whether it is for commercial purpose or not has to be decided based on the facts and circumstances of each case. I find force in the contention of the Learned Counsel of the Complainant Company that Private Limited Company is also a person as is held by the Hon'ble Supreme Court vide its order dated 09.02.2009 in Karnataka Power Transmission Corpn. & Anr: Vs. Ashok Iron Works Pvt. Ltd., III (2009) CPJ 5 (SC) I am of the view that the word 'commercial purpose has to be interpreted taking into consideration the ratio laid down by the Hon'ble Supreme Court in Laxmi Engineering Works Vs. PSG Industrial Institute 1995 SCC (3) 583.

19. It is pertinent to mention that the transactions in the instant case do not squarely fall within the four factors of production which directly relate to profit-making of the Company to be construed as "commercial". The only point which falls for consideration in the instant case is whether the Bank was deficient in its service by honouring the cheques for which admittedly 'stop payment instructions were given. Keeping in view all the afore-noted reasons, we are of the considered view that the Complainant Company in the instant case is a Consumer' as defined under Section 2(1)(d) of the Act and the Complaint is maintainable before this Commission."



14. The Hon'ble Supreme Court in **Laxmi Engineering Works vs. PSG Industrial Institute**, (1995) 3 SCC 583, and more recently in **Shrikant G. Mantri vs. Punjab National Bank**, CA No.11397 of 2016, has considered what is relevant is the dominant intention or dominant purpose behind availing the goods or services. The identity of the purchaser, the scale of transaction, or the quantum involved is not conclusive. Applying the said test to the facts of this case, we find that the grievance of the Complainant does not arise out of any credit facility, loan transaction, cash credit limit, banking service for expansion, production or profit generation. The complaint pertains to refusal of OP to accept deposit of cash during demonetisation period in a KYC-compliant account, despite express permissions granted vide RBI notification dated 08.11.2016.

15. The act of depositing money already belonging to the Complainant into its own bank account, pursuant to a statutory demonetisation scheme, cannot be equated with availing banking services for a commercial purpose, merely because the depositor is a business entity. The deposit of one's own funds in compliance with a sovereign policy measure was not an activity intended to generate profit, but was a compulsory and regulatory act imposed by the State. Further, the alleged deficiency in service in the present case is not a service hired to advance the business of the Complainant, but the refusal of a statutory banking function during a limited period under extraordinary situation governed by special notifications. The alleged deficiency relates to denial of access to a banking facility which was otherwise available to all KYC-compliant Accountholders under the RBI framework. It is also relevant to note that the Hon'ble Supreme Court, while disposing of WP (C) No.260 of 2017 vide order dated 11.02.2025, expressly relegated



the parties to this Commission and directed that the complaint be decided on its own merits and in accordance with law. The said order does not foreclose the maintainability of the Consumer Complaint, nor does it accept the objection regarding lack of consumer status. Relevant part of the said order is as under:

"12. In any case, we find that the lis between the petitioner and respondent No.2 (Axis Bank) is pending before the National Consumer Disputes Redressal Commission (NCDRC) by way of a complaint case bearing CC No. 2755 of 2018.

13. We find that for adjudicating the claim of the petitioner, an elaborate appreciation of the material placed on record would be necessary, which, in our view, would not be permissible while exercising our extraordinary powers under Article 32 of the Constitution of India.

14. Since the petitioner has already approached the NCDRC, we dispose of this writ petition by relegating the parties to the NCDRC. The NCDRC will decide the complaint filed by the present petitioner on its own merits and in accordance with law."

16. Moreover, decisions relied upon by the OP Viz. ***M/s Anand Nishikawa Company Limited vs. State Bank of Patiala and Ors.*** (NCDRC) Consumer Case No. 95 Of 2006 and ***PPS International and Anr. vs. Punjab National Bank.***, (NCDRC) CC No. 68 Of 2009, were rendered in the context of banking relationships which were found, on facts, to be integrally connected with large-scale commercial operations of the complainant entities. However, the present case stands on a distinct footing, as it concerns the refusal to accept deposits under a statutory demonetisation regime and not the availing of banking services for commercial gain. In our considered view, therefore, the dominant purpose of the transaction in question was not commercial, but regulatory and incidental to compliance with demonetisation measures imposed by law. Thus, the complaint is maintainable.



17. The second issue pertains to the actions of OP in declining to accept further deposits of the said specified bank notes tendered by the Complainant during the demonetisation period and whether such refusal to allow deposit of the bank notes by the Complainant in their own Current Account, amounted to violation of the Directives and/or Circulars of the Ministry of Finance, Govt of India or the RBI. In this regard, it is not in dispute that demonetisation was affected by the Govt of India and Gazette Notification dated 08.11.2016 was issued by the Ministry of Finance and the RBI Notification No. RBI/2016-17/112 dated 08.11.2016. Relevant portion of the said notification is reproduced below:

"In terms of Gazette Notification No 2652 dated November 08, 2016 issued by Government of India, `500 and `1000 denominations of Bank Notes of the existing series issued by Reserve Bank of India (hereinafter referred to as Specified Bank Notes) shall cease to be legal tender with effect from November 09, 2016, to the extent specified in the Notification. A new series of Bank Notes called Mahatma Gandhi (New) Series having different size and design, highlighting the cultural heritage and scientific achievements of the country, will be issued. Bank branches will be the primary agencies through which the members of public and other entities will be exchanging the Specified Bank Notes for Bank Notes in other valid denominations or depositing the Specified Bank Notes for crediting to their accounts, upto and including the December 30, 2016. Therefore, banks have to accord highest priority to this work."

18. The above Notification permitted deposit of specified bank notes in the Bank Accounts within the prescribed period, subject to compliance with extant laws and regulatory requirements. Para-3(c)(i) of the said RBI Notification provided that there would be no limit on the quantity or value of the specified bank notes that could be deposited in Accounts which are KYC-compliant. The same is reproduced as under:



“(iii) there shall not be any limit on the quantity or value of the specified bank notes to be credited to the account maintained with the bank by a person, where the specified bank notes are tendered; however, where compliance with extant Know Your Customer (KYC) norms is not complete in an account, the maximum value of specified bank notes as may be deposited shall be ` 50,000/-;”

19. The Constitution Bench of Hon'ble Supreme Court in ***Vivek Narayan Sharma & Ors. vs. Union of India***, 2023 SCC OnLine SC 1 has authoritatively examined the scope and effect of the framework of demonetisation wherein it was held:

“281. In any case, by demonetisation, the right vested in the notes was not taken away. The only restrictions were with regard to exchange of old notes with the new notes, which were also gradually relaxed from time to time. Insofar as deposit of the demonetised notes in banks is concerned, there was no limitation. If a citizen had a "Know Your Customer (KYC) compliant bank account", he could deposit any amount and get to his credit the full value of legitimate currency. As such, the right to property in bank notes was not taken away. A full value of legitimate currency was entitled to be deposited in the bank account, however, up to a particular date. In any case, there was no restriction on non-cash transactions like debit card, credit card, net banking.”

20. The Constitution Bench further observed that 52 days provided for deposit of specified bank notes could not be construed as unreasonable or unjust. The same is reproduced as under:

“291. In the present case, the period for exchanging any amount of SBNs and depositing the same in the KYC compliant bank account without any limit or hindrance was 52 days, whereas the said period in Jayantilal Ratanchand Shah was only three days, which is much less as compared to the one provided by the impugned notification. In the light of what has been held by the Constitution Bench in Jayantilal Ratanchand Shah, we fail to understand as to how the said period of 52 days could be construed to be unreasonable, unjust and violative of the petitioners' fundamental rights.”



21. In the same case, the Hon'ble Apex Court clarified the statutory scheme governing demonetisation after the cut-off date. It was held that Section 4 of the Specified Bank Notes (Cessation of Liabilities) Act, 2017 is an integrated and complete scheme. Relevant para is quoted as under:

"303. It is thus clear that Section 4 of the 2017 Act provides for an integrated scheme. It is a complete code in itself. Under sub-section (1) of Section 4 of the 2017 Act, the Central Government is entitled to provide grace period. Under sub-section (2) thereof, RBI is required to satisfy as to whether a person seeking to take benefit of grace period under sub-section (1) is entitled thereto after satisfying that the reasons for not depositing the SBNs prior to 30-12-2016, are genuine, and thereafter, credit the value of the said notes in his "KYC compliant bank account, Sub-section (3) thereof provides for an appeal. We are therefore of the considered view that sub-section (2) of Section 4 of the 2017 Act cannot be read independently to provide power to RBI in isolation of sub-sections (3) and (4) thereof. It is to be read as a part of the scheme of Section 4 of the 2017 Act."

It was further held that:

"307. We therefore hold that RBI does not have independent power under sub-section (2) of Section 4 of the 2017 Act in isolation of the provisions of Sections 3 and 4(1) thereof to accept the demonetised notes beyond the period specified in notifications issued under subsection (1) of Section 4 of the 2017 Act."

22. Thus, while the Constitution Bench recognised the entitlement of a KYC-compliant Accountholder to deposit demonetised notes within their Bank Accounts during the notified period, it equally underscored that such entitlement of the Accountholders to so deposit was circumscribed by the statutory timeline and the regulatory framework governing the banks.



23. In the present case, admittedly the Complainant's Current Account with the OP Bank was KYC-compliant much prior to the notification of demonetisation and was, in fact, re-verified during the relevant period at the instance of OP itself. The contemporaneous correspondence placed on record further shows that during the notified time window, the Complainant had disclosed the availability of cash-in-hand with the firm as reflected in its audited accounts, furnished audited balance sheets of the preceding years to the officials of OP Bank and repeatedly sought to deposit the amounts. The Complainant had also expressed willingness to comply with any further regulatory requirement or furnish undertakings that may be required by the OP Bank for facilitating acceptance of the cash deposits. Despite such compliance, disclosure and requests, the OP Bank declined to accept further cash deposits. Evidently, this refusal was not based on any specific RBI or Government Notifications, or any communicated deficiency in KYC or other statutory/procedural non-compliance. It was on the sole ground of its "internal policy".

24. Though statutorily mandated as public policy, OP Bank contention of enhanced due diligence and monitoring of large cash transactions cannot be construed as conferring an unbridled discretion upon the OP Bank to impose a blanket refusal on deposits in an otherwise KYC-compliant and re-verified Bank Account, especially during the subsistence of the limited statutorily prescribed window. This is more so, since the time was critical and the specified Bank Notes which are left un-deposited and monetized would be rendered worthless and further the possession itself was questionable. Undisputedly, other than general guidelines, there was no specific prohibition or binding RBI circulars directing for rejection of such deposits. Without doubt, the



regulatory framework in such transactions envisaged necessary overview, monitoring, verification and reporting of any large or suspicious transactions. Nothing prevented the OP Bank to receive the cash from the Complainant, account the details and, if considered suspicious, report the same to appropriate authorities with evidence. The outright denial to deposit the specified bank notes is evidently in derogation of the express dispensation contained in Para-3(c)(i) of the RBI Notification dated 08.11.2016. In the absence of producing any contemporaneous communication by the OP Bank pointing to any actual regulatory bar or non-compliance which disentitles the Complainant from depositing the demonetised currency notes within the notified period, the substitution of the statutory scheme by an internal policy decision of the OP Bank cannot be sustained. The refusal of the OP Bank, therefore, cannot be said to be in conformity with the binding directives and circulars governing demonetisation and, on the facts of the present case, amounted to a departure therefrom.

25. At this stage, it is necessary to deal with the implicit premise underlying the stand of the OP Bank that the Complainant's deposits were "suspicious" or that the Complainant was sought to be treated as an entity having unaccounted money. The OP Bank contended that the Complainant had been categorised as a High-Risk Account since its inception and was, therefore, subject to enhanced scrutiny under RBI-mandated KYC norms. In such condition also, it is undisputed that the Account was continuing to be in active operation and there was regular communication between the parties. At no stage, details with respect to such claim of High-Risk pertaining to the Complainant, if any, have been either notified or brought on record. In these circumstances, the action of the OP Bank in unilaterally branding the Complainant as High-



Risk Account and denying scope for depositing the cash in their own KYC compliant Account during the limited and critical time window verges to being transgression of Government policies and RBI notifications. If the transactions of any Accountholder appear to be suspicious, the statutory scheme obligates the bank to monitor such transactions of the Accountholders, ascertain the source of funds and report such transactions to the competent authorities in terms of Rule 114E of the Income Tax Rules, 1962 and the RBI KYC/AML guidelines, or informing appropriate agencies. These provisions mandate reporting and regulatory scrutiny. In any case, these do not empower a bank to unilaterally refuse acceptance of deposits altogether in an otherwise KYC-compliant account during the said limited permitted window. Even assuming that the OP Bank entertained any doubt or suspicion, the lawful course open to it was to accept the deposits, bring the funds within the formal banking channel and thereafter facilitate post-transaction reporting and investigation by the designated authorities. The OP failed to demonstrate that it had, contemporaneously, reported the Complainant's transactions or admission of possession of cash to any competent authority, while refusing acceptance of deposits. The statutory framework contemplated post-transaction monitoring and investigation of such transactions by the designated authorities and did not sanction a pre-emptive denial of a basic right to transact in a KYC-compliant and re-verified Account, during a time-bound window created by the Government i.e. 52 days. The action of outright refusal by the OP Bank was, therefore, beyond the scope and contemplation of Rule 114E of the Income Tax Rules and the RBI KYC/AML framework. The approach adopted by the OP Bank, in refusing to accept the deposits of the Complainant altogether, therefore, served no discernible regulatory or public interest purpose.



26. On the contrary, the acceptance of the deposits in a KYC-compliant account would have in fact enabled complete traceability, audit trail and post-deposit investigation by the competent authorities. The Complainant was willing to produce all documents, audited accounts and any further material required by the OP Bank. Had the deposits been accepted, and if the Complainant later found to have furnished false or misleading information, the law could have taken its course, including attachment, freezing and confiscation of the proceeds in accordance with statutory procedure. By refusing to accept the deposits, the OP effectively deprived the Complainant of the only lawful opportunity to deposit the cash in hand within the notified window.

27. Due to the OP Bank's refusal, the Complainant suffered a direct and irreversible loss, in as much as upon expiry of the cut-off date, the specified bank notes in possession of the Complainant stood reduced to worthless paper, without any further legal avenue available to the Complainant to deposit or monetise the same. This deprivation was not the result of any adjudication by a competent authority but flowed solely from the unilateral action of the OP Bank, despite the Complainant's readiness and willingness to comply with all regulatory requirements.

28. After due consideration of the entire facts and circumstances of the case, the actions of OP Bank cannot be said to be based on informed decisions in good faith. While vigilance and regulatory compliance with respect to such transactions are expected from the Banks, these actions must operate within the contours of the statutory scheme. A Bank cannot, on the basis of subjective suspicion, unilaterally deny a customer the benefit of a right expressly recognised under binding notifications, particularly when the customer has already complied with KYC norms, furnished audited records and sought to



cooperate with all further verification requirements, if necessary. This is more so during a very limited window of timeline. The denial of access to the only lawful window for deposit, without recourse to the statutory reporting and investigative mechanism, amount to an arbitrary substitution of the regulatory framework and is antithetical to the very object and scheme of demonetisation, which was intended to bring the currency into the formal banking system and necessary scrutiny. The OP Bank clearly failed by repeatedly disallowing the Complainant to deposit the notified cash into its own KYC compliant Account, despite multiple requests and persisted with this till the entire timeline lapses. This clearly constitutes "deficiency in service" as defined under Section 2(1)(g) of the Consumer Protection Act, 1986. This is independent of the legality or otherwise of the regulatory framework governing the demonetisation processes. Acceptance of deposits in a duly maintained account is undisputedly the core banking service, and the banker and accountholder relationship obligates the Bank to act reasonably and in accordance with law. If any transaction, which is otherwise permitted, is to be refused, the same shall be based on cogent reasons duly communicated and supported by applicable regulatory norms. Therefore, in the given circumstances, even if there was some ambiguity in the matter or suspicion about the cash held, the OP Bank ought to have allowed the Complainant to deposit the same in the KYC verified Account and proceeded further with respect to such cash deposited as per law.

29. As per the record, the Complainant notified to the Bank of being in possession of the specified bank notes worth Rs.3,19,58,500, which remained even after 30.12.2016.



30. In view of the above, the Opposite Party Bank is liable to compensate for the loss it caused to the Complainant to the extent of the specified bank notes worth Rs.3,19,58,500. The OP is, therefore, directed to pay the Complainant Rs.3,19,58,500 along with simple interest @ 6% per annum from 30.12.2016 till the date of final payment. This amount shall be paid within two months from today. In the event of delay, the interest liability for delayed period shall be @ 9% per annum.

31. Considering the nature, facts and circumstances of the case, there shall be no order as to costs.

32. All pending Applications, if any, are also disposed of accordingly.



Sd/-

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(AVM J. RAJENDRA, AVSM VSM, Retd.)
PRESIDING MEMBER

Sd/-

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(ANOOP KUMAR MENDIRATTA, J.)
MEMBER



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Kishor
10/03/2016