

PETITIONER:
INDER PARSHAD

Vs.

RESPONDENT:
UNION OF INDIA

DATE OF JUDGMENT 20/06/1994

BENCH:
RAMASWAMY, K.
BENCH:
RAMASWAMY, K.
VENKATACHALA N. (J)

CITATION:
1994 SCC (5) 239 1994 SCALE (2) 553

ACT:

HEADNOTE:

JUDGMENT:

The Judgment of the Court was delivered by AHMADI, J.- The grievance of the respondent-association in the High Court related to charging of compound interest on loans given to its members for the purchase of tractors.

2. The Division Bench of the High Court of Orissa presided over by the then learned Chief Justice held that the agreement entered into by the bank with the borrower did not stipulate the payment of compound interest and hence it was unnecessary to examine if there existed such a stipulation, the same would have been enforceable by the Bank. See paragraph 13 of the judgment. It is true that in the body of the judgment reference has been made to the case of Bank of India v. Karnam Ranga Rao¹ and it is observed that since farmers do not have regular source of income other than sale proceeds of their crops, and receive the sale proceeds annually, they cannot be expected to have agreed to pay interest with periodical rests. In paragraph 8 of the judgment the High Court has observed :

"The present, therefore, is a case which would make the finding of the Karnataka High Court relevant insofar as the policy circulars of the Reserve Bank of India are concerned."

But the High Court ultimately decided in favour of the borrower because in its view the agreement did not provide for periodical rests nor did it stipulate for payment of compound interest, making the above-quoted observations obiter dicta. In that view of the matter, we see no reason to interfere as the decision does not ultimately rest on the aforequoted view based on the Karnataka High Court decision. We may incidentally say that we have today by a separate judgment² dismissed the Bank's appeal against the said decision. We dismiss this petition on the short ground that the

AIR 1986 Kant 242
+ Corporation Bank v. D.S.Gowda, (1994) 5 SCC 213
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agreement on which the Bank's claim is founded does not provide for payment of compound interest or interest with periodical rests.

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JUDIS