

In Re: Anti-Competitive Practices Prevailing in Banking Sector (Suo-Moto Case No 01/2015)

Decision date: 24.04.2018

Keywords: *cartel; collusion; banks; RBI*

Issue: Whether banks had a collusive arrangement in fixing the Savings Bank Interest Rates and charges for ATM usage?

Rule: Sec. 3(3)(a) read with Sec. 3(1) of the Competition Act, 2002

This case dealt with the Savings Bank Interest Rates ('interest rates') and service charges on Automated Teller Machines ('ATMs') transactions, offered/ charged by banks. Most of the Scheduled Commercial Banks ('Banks') were offering similar interest rates which suggested cartelization by banks. It was noted that despite deregulation interest rates were at four (4) percent, the last rate prescribed by RBI before deregulation for most of the banks. There were also certain ATM charges levied by banks in a uniform manner.

Investigation was conducted by placing reliance on the meetings of the banks. It was found that there was no discussion about the interest rates in meetings which was of an incriminating nature. The interest rates were held to be a result of independent assessment of market conditions by each bank. With respect to decrease in interest rates years after deregulation, the main determining factor was found to be excess liquidity post demonetisation and not any kind of collusive arrangement between the banks.

As similarity of service charges across banks was also not observed, it was held that there is no collusion amongst the banks for determining service charges as well. Banks decide their interest rates having due regard to their costs and other relevant factors.

Accordingly, it was concluded that there is no case of contravention of the provisions of Section 3(3) of the Act.