

Respected Sir,

We invite your kind reference to correspondence resting with our letter No. JN&BPS/SI/406 dated 23.02.2021, with regard to reduction of commutation from the date of payment, instead of from the date of retirement. In this connection, we would like to explain and bring to your kind knowledge appropriateness or otherwise of recovery of commutation from the date of retirement, instead of from the date of payment, with the following example :

There are many instances where Housing Loans are sanctioned for purchase of apartments and on account of various reasons, there are delays in completion and handing over. In most of such under-construction apartment buildings, amounts are released in installments. If the loan is repayable over a period of 180 months with two years moratorium, commencement of payment of EMIs begins from the 25th month. If 65% of the amount is released, the Bank fixes the EMI considering 65% of the amount released. If the building is constructed and completed after five years and if the bank releases balance of 35%, the Bank would have paid entire loan amount. In such a case, the Bank does not recover EMIs for full amount from the retrospective date, but EMIs for full amount commences only from the date of release. Period of 180 months commences from the date of such release. Similarly, interest is charged and recovery commences from the date of release/debit, but not in terms of sanction letter, in respect of all loans.

But, it is unfortunate that we, the Bankers, are recovering commutation amounts from the date of retirement, instead of recovering from the date of payment. The Bank is recovering interest on the amounts which were not in their hands. Therefore, the Bank intends to make profit and take away the benefits from its own former employees. The legality or otherwise has been explained in detail in our previous letter, a copy of which is attached again for your kind information and immediate reference.

Not only dictionaries, but also several State/Central Government documents define 'commuted value of pension' as the lumpsum amount in lieu of a portion of pension surrendered or exchange value of a portion of pension payable in future with lumpsum amount. The Pension Regulation itself says that the commutation factor is the number of years of purchase. Neither Central Government nor State Government nor its Departments, etc. are recovering Commutation from the date of payment.

We request you to kindly refer to Regulation 41 of the pension regulations. One can find that Pension Regulations provide for reduction of commutation amount from the date of commutation, but not from the date of retirement. We are also sure that the Bank has no intention to make profit out of its own former employees. Public Sector Banks, including our Bank are instrumentalities of the State. Instrumentalities of the State are expected to act fairly.

In view of the foregoing, we request you to kindly order reduction of commutation amount from the date of payment, but not from the date of retirement.

Please acknowledge receipt