



**COMPETITION COMMISSION OF INDIA**

**Case No. 66 of 2016**

**In Re**

**Mr. Ashish Dandona**

**Informant**

**And**

**Dhanlaxmi Bank limited**

**Opposite Party**

**CORAM:**

**Mr. Devender Kumar Sikri**

**Chairperson**

**Mr. S.L. Bunker**

**Member**

**Mr. Sudhir Mital**

**Member**

**Mr. Augustine Peter**

**Member**

**Mr. U.C. Nahta**

**Member**

**Mr. Justice G.P. Mittal**

**Member**



### Order under Section 26(2) of the Competition Act, 2002

1. The present information has been filed by Shri Ashish Dandona (the ‘**Informant**’) under Section 19(1)(a) of the Competition Act, 2002 (the ‘**Act**’) against Dhanlaxmi Bank Limited (‘**OP**’) alleging contravention of the provisions of Section 4 of the Act.
2. As per information, the Informant is a resident of New Delhi and OP is a private sector bank which provides loan facilities to consumers apart from performing other banking functions. The Informant has claimed to have taken a loan against property for a sum of Rs.4,25,00,000/- (Four Crore Twenty Five Lacs only), on 25<sup>th</sup> August, 2011, at a floating interest rate of 13.50 percent per annum, from OP’s branch located at Punjabi Bagh, Delhi.
3. The Informant has alleged that OP increased the floating rate of interest with the increase in repo rate by the Reserve Bank of India (RBI); however, when RBI brought down the repo rate, OP did not reduce its rate of interest.
4. The Informant has submitted the repo rate fixed by RBI, effective base rate and effective floating rate charged by OP on the loan availed by the Informant, from time to time, as tabulated below:

**Table.1**

RBI Circular date	RBI Repo Rate (in %)	Effective Base Rate of OP (in %)	Floating Rate Charged by OP (in %)	Effective Floating Rate should be in (Base Rate in % + 2.75 % margin)
26/07/11	8.00	10.75	13.50	13.50
16/09/11	8.25	11.00	13.75	13.75
25/10/11	8.50	11.25	14.00	14.00
17/04/12	8.00	11.00	14.00	13.50
29/01/13	7.75	10.50	14.00	13.25
19/03/13	7.50	10.25	14.00	13.00
03/05/13	7.25	10.00	14.00	12.75
20/09/13	7.50	10.25	14.25	13.00
29/10/13	7.75	10.50	14.25	13.25
28/01/14	8.00	10.75	14.25	13.50



5. In view of reduction in the repo rate, on 14<sup>th</sup> February, 2014, the Informant approached OP and requested it to cut the rate of interest charged on the loan availed. However, OP did not consider the request and refused to reduce the rate of interest charged. Left with no other option, the Informant closed the loan account on 5<sup>th</sup> March, 2014 with OP. In view of same, OP imposed a pre-payment penalty at the rate of 2 percent. However, later on, upon protest, OP refunded 1 percent pre-payment charges to the Informant.
6. Further, it is submitted that *vide* email dated 25<sup>th</sup> March, 2014, the Informant requested OP to refund the excess interest charged by it along with pre-payment charges. It is claimed by the Informant that OP has neither taken any positive step nor given any satisfactory reply to the same.
7. In view of above allegations, the Informant has prayed the Commission to direct OP to refund a sum of Rs.16,55,134/- (Sixteen Lacs Fifty Thousand One Hundred Thirty Four only) charged by OP as excess interest and pre-payment charges.
8. After a careful perusal of the information and material available on record, the Commission notes that the Informant is aggrieved by the conduct of OP in not reducing the interest rate charged in accordance with the reduction in repo rate and imposition of pre-payment charges.
9. For the purpose of examining the allegations of the Informant under the provisions of Section 4 of the Act, it is necessary to determine the relevant market at the first instance. Thereafter, it is required to assess whether OP enjoys a position of strength to operate independently of the market forces in the relevant market. Once such dominance of OP is established in the relevant market, then the question of examining the allegations of abuse of such dominance would arise.



10. The relevant market, as per Section 2(r) of the Act is to be defined in the form of relevant product market and relevant geographic market.
11. In the present case, the Informant has taken loan from OP after mortgaging his property as a collateral. In the property loan market, the Informant, being the borrower, is on the demand side and OP is on the supply side. The Commission observes that there are various types of loans, such as, personal loan, property loan, home loan, auto loan, appliances loan, education loan *etc.* Each of these categories of loan can be distinguished based on intended use, rate of interest, terms of repayment *etc.* Thus, loan against property, which is the product under consideration in the instant case, is a distinct product. Therefore, the relevant product market in the present matter appears to be the “*market for provision for loan against property*”.
12. Regarding the relevant geographic market, the Commission observes that though OP is a private bank largely concentrated in Kerala and southern States, but in the present case, the Informant has taken a loan of Rs.4.25 crores from Punjabi Bagh, Delhi branch of OP. Considering the small loan amount in the instant matter, the geographic market can be narrowed down to “*Delhi*” as the Informant, loan approving branch of OP and the mortgaged property are located in Delhi.
13. In view of above, the Commission defines the relevant market in the present case as “*market for provision of loan against property in Delhi*”.
14. Next, assessing the market power / dominance of OP, the Commission observes that considering the small size of OP and presence of other major banks, such as SBI, HDFC, ICICI, Axis, Central Bank of India, Bank of India, Union Bank of India, PNB, Bank of Baroda, Kotak and other nationalised and private sector banks, OP is not dominant in the relevant market. In the absence of dominance of OP in the



relevant market, the question of abuse of dominance in terms of Section 4 of the Act does not arise.

15. In view of the aforesaid discussion, no case of contravention of Section 4 of the Act is made out against OP. Thus, the instant case is closed under Section 26(2) of the Act.
16. The Secretary is directed to inform the Informant accordingly.

**Sd/-  
Devender Kumar Sikri  
(Chairperson)**

**Sd/-  
(S.L. Bunker)  
Member**

**Sd/-  
(Sudhir Mital)  
Member**

**Sd/-  
(Augustine Peter)  
Member**

**Sd/-  
(U.C. Nahta)  
Member**

**Sd/-  
(Justice G.P. Mittal)  
Member**

**New Delhi  
Date: 21.02.2017**