**GOVERNMENT OF JAMMU & KASHMIR**
**DISTRICT CONSUMER DISPUTES REDRESSAL COMMISSION**
**BARAMULLA/BANDIPORA**

**Coram: -**

1. **Peerzada Qousar Hussian ....... President**
2. **Ms Nyla Yaseen ...... Member**

**Consumer Complainant No:**

1. **Ms Shahzada Begum W/O Mohd Ayoub Dar**
2. **Haadif Ayoub Dar S/O Mohd Ayoub Dar**
3. **Arhan Ayoub Dar S/O Mohd Ayoub Dar**
4. **Fatima Ayoub Dar D/O Mohd Ayoub Dar**

**Complainant no. 2-4 minors through their mother i.e complainant no.1 R/O Hiltop colony Ushkara District Baramulla.**

.....(Complainant)

Versus

1. **Chairman J&K Bank,Corporate Headquarter,M.A Road Srinagar**
2. **Cluster Head J&K Bank Salkoot Kupwara.**
3. **Manager J&K Bank Branch Unit Old Chowk Kupwara.**
4. **Divisional Manager,PNB Metlife India Insurance CO.Ltd 2nd floor, Hadika Building Complex,Hadika Bagat, Barzulla,Budgam,J&k-190005**

...... (opposite parties)

District Consumer Disputes Redressal Commission Kupwara

**Date of Institution:19-09-2024**
**Date of Decision:16-07-2026**

**Appearing Counsel:**
**For the complainant: Adv. Tanvir Tahir**
**For the OPs 1-3 :-Adv. Shah Khalid and For the OP 4 Adv. Rayees UL Ahad**

# Judgement

The present complaint has been filed by the complainants alleging deficiency in service on the part of the OPs and seeking the following reliefs:

1. Compensation to the tune of Rs. 18,00,000/- for deficiency in service, breach of trust and negligence.
2. Compensation of Rs. 1,00,000/- for mental agony and Rs. 1,00,000/- towards litigation expenses.

The complainant No. 1 is a widow of Mohammad Ayoub Dar (deceased), who was the father of complainant Nos. 2 to 4. The contention of the complainant is that her deceased husband availed a Cash Credit loan facility from OP Nos. 1 to 3 bearing Account No. 0529020100000410 for establishment of his business unit under the name and style of "New Brand Ready-Made Garments, Kupwara". OP No. 3 offered the deceased borrower the required security before disbursement of the loan amount, which was accepted by the borrower. Consequently, an amount of Rs. 16,000/- was deducted from the account of the deceased borrower on 06.05.2022.

The deceased husband of complainant No. 1 died on 01.06.2022. The OP No. 3, after becoming to know about the demise of the borrower, reversed the premium amount of Rs. 16,000/- back into the deceased account on 24.06.2022. Consequently, OP No. 3 started initiating coercive measures to recover the loan from the complainants.

The contention of the complainant is further that they made a representation before OP No. 3 with regard to benefits of the life insurance cover of the deceased borrower however the OP No. 3 denied and rejected the representation.

It is further contended that OP No. 3 deducted the premium amount of Rs. 16,000/- on 06.05.2022 and reversed the same after a gap of about two months, i.e., on 30.06.2022, after the death of the borrower, with the sole intention rather illicit intention to escape from the liability, without caring about the interest and rights of the deceased borrower, which caused great prejudice and mental agony to the complainants.

Although the complainants represented before OP No. 3 to explore the possibility of availing the benefits of the life insurance cover of the deceased borrower, but they were denied of any benefit, which constrained them to approach the District Consumer Commission, Kupwara, for redressal of their grievances.

It is further alleged that after coming to know about the demise of the borrower, the OPs reversed the premium amount and took the stand that no insurance cover existed, thereby depriving the complainants of liquidation of the outstanding loan amount against the deceased borrower.

Since the OP has failed to justify how a validly deducted insurance premium could be unilaterally reversed after the death of the borrower.

Once the premium was deducted and the borrower was enrolled for insurance coverage, the rights accruing under the policy could not be defeated merely by reversing the premium after the death of the borrower/insured.

Perusal of the record placed on file reflects that the premium amount of Rs. 16,000/- had been debited from the account of the borrower and retained for the purpose of obtaining insurance coverage. The conduct of the OPs in refunding the premium after the death of the borrower amounts to a clear deficiency in service and an unfair trade practice.

The consumer cannot be made to suffer on account of internal lapses, if any, between the Bank and the Insurance Company.

Applying the principle of preponderance of probabilities, I am of the considered opinion that the deceased borrower had opted for insurance coverage and had paid consideration towards the said insurance policy/cover linked with the loan account.

Consequently, the OPs are jointly and severally liable to honour the insurance benefits.

The complainants, in support of their case, have adduced evidence.

On the other hand, OP No. 1 has also adduced evidence through Mr. Zahid Sultan S/O Mohammad Sultan R/O Seeloo Sopore.

Since the record placed on file reflects that an amount of Rs. 16,000/- was deducted from the account of the deceased borrower towards insurance premium, which fact is not disputed, the principal controversy pertains to whether the OPs can deny the insurance benefits by reversing the premium amount after the death of the borrower.

Under the foregoing findings, it is recorded that the deduction of premium created a legitimate expectation of insurance coverage and the reversal of the premium after the death of the borrower cannot ordinarily defeat the rights of the insured or his legal heirs unless the OPs establish, by cogent evidence, that no contract of insurance ever came into existence and that the borrower was duly informed of the same before his death.

Against the above backdrop, the complaint is allowed and disposed of with the following directions:

1. The OPs are directed to treat the deceased borrower as duly covered under the loan-linked insurance scheme on the date of his death.
2. The OP No. 4 is directed to pay the sum assured to the complainants in accordance with the laid down procedure, whatever is due against the deducted premium of Rs. 16,000/- (Rupees Sixteen Thousand only) along with interest @5% from the date of institution of the complaint till its realization.
3. The OPs are directed to jointly pay an amount of Rs. 2,00,000/- (Rupees Two Lakh only) to the Complainants as compensation and Rs. 30,000/- (Rupees Thirty Thousand only) as litigation charges to the Complainants.
4. The OPs are further directed to adjust the assured amount towards the outstanding loan liability of the deceased borrower as per the terms of the insurance cover.
5. In case any amount has been recovered, or is sought to be recovered, from the legal heirs towards the same loan liability, the same shall be dealt with in accordance with law and the terms of the insurance cover.

The OPs shall comply with the order within a period of 4 weeks from the date of the order. In the event of failure to comply with the order within the stipulated period of time, the entire awarded amount shall carry interest at the rate of 7% from the date of the order till the realization of the amount.

Order announced
Date: 16-07-2026

16/07/26

Nyla Yaseen
Member
(I agree)

Member
District Consumer Disputes
Redressal Commission
Kupwara

Peerzada Qousar Hussain
President

PRESIDENT
District Consumer Disputes
Redressal Commission kupwara

Copy of this Order be provided to the parties for compliance and file be consigned to records after due completion.