

**Payment of interest on the term
deposit of a deceased depositor**

DBOD No.Dir.BC. 64/13.03.00/2000-2001

January 03, 2001
Pausha 13, 1922(Saka)

All Commercial Banks
(Including Regional Rural Banks/Local Area Banks)

Dear Sir

**Payment of interest on the term
deposit of a deceased depositor**

Please refer to the paragraph 14 of our Directive DBOD No.Dir.BC.46/13.03.00/ 2000-2001 dated November 4, 2000 and paragraph 9 of our Directive DBOD No.Dir.BC.48/13.03.00/2000-2001 dated November 4, 2000 regarding payment of interest on the deposit account of a deceased depositor. Presently, interest is paid to the claimants of a deceased deposit account holder beyond the date of maturity at the interest rate applicable to the period for which the deposit has remained with the bank upto the date of actual payment, only if the death of the depositor has occurred before the date of maturity of the deposit. No interest is payable beyond the date of maturity of the term deposit, where the death of the depositor has occurred after the maturity of the term deposit on the basis that the depositor has failed to exercise his right to renew the deposit for a further period.

2. We have been receiving representations that some interest may be allowed in the case of death of a depositor after the maturity date where the depositor had failed to renew the deposit for a further period, as the bank has enjoyed the funds upto the date of payment of the deposit proceeds to the legal heirs/nominees. The matter has been examined by us and it has now been decided that in such cases, interest may be paid by banks at savings deposit rate (in case of Rupee deposits) or Resident Foreign Currency (RFC) Savings deposits rate {in case of FCNR(B) deposits} operative on the date of maturity from the date of maturity till the date of payment.

3. Accordingly, amending directives DBOD Nos.Dir.BC.62 and 63/13.03.00/ 2000-2001 dated January 03, 2001 are enclosed.

4. The following consequential amendments may please be carried out in the Manual of Instructions Vol. I, Part - I:

(i) The existing sub-clause (iii) to clause (i) of paragraph 9.I.11 may be amended as per slip No. 10 attached.

(ii) The existing sub-clause (iii) to clause (ix) of paragraph 9.III may be amended as per slip No. 11 attached.

Yours faithfully

(P.V.Subba Rao)
Chief General Manager