Bancassurance in India: The Case for Stronger RBI – IRDAI Collaboration

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Abstract
Bancassurance dealing with banking and insurance are governed by two very separate yet parallelly operating domains called Reserve Bank of India and Insurance Regulatory and Development Authority of India. However, double regulation does not imply double supervision and causes lapses in market practices affecting the interests of the consumer. This paper takes a detailed analysis into the various circumstances of such instances to figure out where legislation has the blind spot and make suggestions to remedy the fact. That include a coordinated intersection of Prudential Supervision as well as Market Conduct Accountability.

Keywords: Bancassurance; Prudential Supervision; Market Conduct; Bundling; Mis-selling; RBI; IRDAI.

I. Introduction

A crucial intersection between the banking and the insurance sectors in India was witnessed through Bancassurance. It was primarily imparted to widen the scope of financial inclusion for the market thereby generating additional revenue to the banks. This practice included distributing insurance products through banks via their own networks under the supervision of the two regulatory bodies RBI and IRDAI.[1]

Although the promised effect was hoped to be greater reach as well as efficiency, it only resulted in conflict of control and supervision between the two bodies regarding accountability.

Section 6(1)(o) of the Banking Regulation Act, 1949 conferred on banks extra powers as notified by Central Government of which came the "agency of insurance" provided RBI approves beforehand.[2] In parallel, the IRDAI (Registration of Corporate Agents) Regulations,
2015 require that every bank engaged in such distribution be formally registered as a "corporate agent" under IRDAI's control.[3] These dual authority created overlapping regulatory approach of a single transaction – sale of insurance. The RBI focuses on prudential soundness and operational risk, whereas the IRDAI's priority is conduct, disclosure, and consumer protection.[4]

The undefined nature of imbrication of these two frameworks creates confusion for the financial institution involved and the consumers. Despite repeated instances of consumers being exploited through the sale of insurance schemes without their

[1] Reserve Bank of India, *Master Circular – Para-banking Activities* (July 1, 2014), https://www.rbi.org.in/commonperson/English/scripts/Notification.aspx?Id=1442.

[2] *Banking Regulation Act*, No. 10 of 1949, § 6(1)(o).

[3] Insurance Regulatory and Development Authority of India, *IRDAI (Registration of Corporate Agents) Regulations*, 2015, F. No. IRDAI/Reg/12/102/2015 (Aug. 20, 2015), Gazette of India, Extraordinary, Part III, Sec. 4 (to come into force Apr. 1, 2016). Available at: https://upload.indiacode.nic.in/showfile?actid=AC_CEN_2_33_00044_193804_1523351752525&filename=irdai%28regn_of_corporate_agents%29_regulations-2015.pdf&type=regulation.

[4] Reserve Bank of India, *Organisation & Functions*, https://www.rbi.org.in/commonperson/English/Scripts/Organisation.aspx; Insurance Regulatory and Development Authority of India, "What We Do", https://irdai.gov.in/what-we-do.

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explicit consent , especially in cases related to loan or credit-linked insurances as pointed out by the Parliament itself, there is still a lack of statutory rule to compel coexistence of regulation. [5] Although both regulators have issued circulars stressing the need for clear consent and transparent practices, the enforcement remains fragmented.[6]

The predicament is not one of law surprisingly, but of institutional design. Both institutions are well founded in their own domain but lines blur when it comes to mutual integration thus leaving a gap in compliance where accountability becomes a grey area.[7]

Similar challenges have appeared elsewhere, prompting other jurisdictions to adopt integrated "twin-peaks" models that merge prudential and conduct supervision under coordinated oversight.[8] India, however, continues to rely on informal working groups and ad hoc communication between the RBI and IRDAI.

This research takes root on the fact that bancassurances can be valid and beneficial if and only when the two supervisory bodies establish amongst themselves a clear and transparent system of cooperation. A structured framework for joint supervision would enhance prudential stability and secure consistent standards of consumer protection. The study therefore aims to examine the existing institutional and legal framework, evaluate the level of coordination in practice, and suggest reforms that sync regulatory efficiency with financial integrity.

II. Institutional and Legal Framework

Bancassurance in India operates at the point where two separate regulatory systems meet. Each regime was designed for a different policy goal, yet both now govern the same activity. The banking sector is supervised by the Reserve Bank of India (RBI), whose mandate centres on monetary stability and prudential governance, while the insurance sector is regulated by the Insurance Regulatory and Development Authority of India (IRDAI), which oversees market conduct and consumer protection. The convergence of these regimes through bancassurance has produced a structural overlap without a unified supervisory design.

Authority for banks to distribute insurance products arises from Section 6(1)(o) of the Banking Regulation Act, 1949, which permits a banking company to act as an agent for any person in connection with financial transactions, subject to RBI approval.[8] Pursuant to this provision, the RBI's Master Circular on Para-Banking Activities authorises banks to engage in insurance distribution, provided the activity remains incidental to banking and subject to board-approved risk management and disclosure norms. [9] Bancassurance is recognised in Indian law as a legitimate extension of banking activity. It is meant to widen sources of income for banks and to strengthen financial inclusion, while maintaining prudential discipline and integrity.

[5] Rajya Sabha, Reply by Minister of State for Finance (Anurag Thakur) to Question on ICICI Prudential Misselling (Mar. 23, 2021), https://rsdebate.nic.in/bitstream/123456789/717101/1/PQ_253_23032021_U3086_p314_p315.pdf.

[6] *International Monetary Fund, India: Technical Note on Insurance Sector Regulation and Supervision*, IMF Country Report No. 18/86, at 14, 16–17 (Mar. 2018), https://www.imf.org//media/Files/Publications/CR/2018/cr1886.ashx.

[7] Bank for International Settlements, *Financial Supervisory Architecture – What Has Changed After the Crisis?*, FSI Insights No. 8, at 2–3 (Apr. 2018), available at https://www.bis.org/fsi/publ/insights8.pdf. [8] U.K. Financial Conduct Authority & Prudential Regulation Authority, *Twin Peaks Model of Financial Supervision: Framework Overview* (2018), https://www.bankofengland.co.uk/prudential-regulation.

[8] *Banking Regulation Act*, *supra* note 2.

[9] Reserve Bank of India, *Master Circular*, *supra* note 1

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At the same time, the Insurance Regulatory and Development Authority Act, 1999 authorises the IRDAI to supervise all intermediaries involved in the solicitation of insurance. [10] Under the IRDAI (Registration of Corporate Agents) Regulations, 2015, every bank that sells insurance must register as a corporate agent and comply with norms on solicitation, remuneration, and consumer consent. [11] Regulation 25 goes a step beyond forbidding automatic enrolment of customers without written "opt-in consent". This provision gives legal force to the principle that participation in an insurance product must always be voluntary.[12]

Both frameworks operate analogously, but not in coordination. The Reserve Bank of India's focus is prudential, ensuring stability and financial soundness. The Insurance Regulatory and Development Authority of India's concern, by contrast, lies in behaviour: fairness, transparency, and consumer protection in product sales. This divide became evident in Anju Kalsi v. HDFC Ergo General Insurance Co. Ltd.,[13] where the Supreme Court held that when banks sell insurance, both the bank and the insurer have a duty to disclose terms and obtain informed consent from the consumer. The judgment implicitly acknowledged the dual control of the RBI and the IRDAI over bancassurance. Yet, it also exposed the gap left by the absence of a shared supervisory framework, which allows responsibility to remain diffuse and hierarchy uncertain.

The lack of a clear line between the two authorities had resulted in evidentiary confusion and weaker compliance. Existing pattern in financial regulation record nonchalant behaviour when there's overlapping jurisdictions where each regulator automatically shrugs off the responsibility to address misconduct on the other regulator. These lackadaisical acts enable mis-selling and product bundling. [14] The RBI's Internal Working Group on Ownership and Governance in Private Sector Banks reached a similar conclusion. It noted that selling third-party products such as insurance creates conflicts of interest that cannot be managed effectively when oversight remains divided.[15]

Inter-agency coordination currently occurs only through the Financial Stability and Development Council (FSDC) and its sub-committees, which serve primarily as forums for policy dialogue. [16] The mechanism lacks statutory force and

[10] *Insurance Regulatory and Development Authority Act*, 1999.§ 14(1), (2)(f), No. 41 of 1999, (Ministry of Law & Justice), available at https://share.google/8oUubLDNAjklFrpwJ.

[11] *IRDAI (Registration of Corporate Agents) Regulations*, 2015, *supra* note 3, regs. 3(1), 9, 14, 18, 20–21 & 25 r/w Schedule VII ¶ 7.3

[12] *Id*. Reg. 25 r/w Schedule VII ¶ 7.3.

[13] *Anju Kalsi v. HDFC Ergo Gen. Ins. Co. Ltd.*, (2022) SCC OnLine SC 205, https://indiankanoon.org/doc/34980086/.

[14] Insurance Regulatory and Development Authority of India, Circular to banks/NBFCs registered as Corporate Agents: *Complaints of Mis-selling/Unfair Business Practices by Banks & NBFCs*, IRDAI Ref. No. IRDA/CAGTS/CIR/MSL/152/08/2016 (Aug. 1 2016). Available at: https://irdai.gov.in/documentdetail?documentId=382768; Matthew C. Turk, Overlapping Legal Rules in Financial Regulation and the Administrative State, 54 *Ga. L. Rev.* 791, 800-03 (2020), https://digitalcommons.law.uga.edu/glr/vol54/iss3/2/.

[15] Reserve Bank of India, *Report of the Internal Working Group to Review Extant Ownership Guidelines and Corporate Structure for Indian Private Sector Banks* 56 (Oct. 2020), https://fidcindia.org.in/wpcontent/uploads/2020/05/RBI-REPORT-20-11-20-Report-of-the-Internal-Working-Group-to-Review-ExtantOwnership-Guidelines-and-Corporate-Structure-for-Indian-Private-Sector-Banks.pdf; M. Rajeshwar Rao, *Ownership and Governance – Building the Edifice for Digital Innovations*, Remarks by Deputy Governor, RBI, at the Mint Annual Banking Conclave, Mumbai, 15 Dec. 2021, 2 (Dec. 16 2021), https://www.bis.org/review/r211216d.pdf.

[16] Ministry of Finance, Press Information Bureau, *Financial Stability and Development Council (FSDC)*, Press Release (May 3, 2013), https://www.pib.gov.in/newsite/PrintRelease.aspx?relid=95543.

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mechanism lacks statutory force and cannot impose binding compliance obligations. The Parliamentary Standing Committee on Finance in its 2023 report on consumer protection in financial services noted that fragmented regulation enables aggressive cross-selling by banks and recommended a formal coordination framework
between the RBI and IRDAI.[17] Similar concerns were articulated in the IRDAI Report of the Committee on Distribution Channels,[18] which highlighted conflicts of interest and disclosure challenges in bancassurance and recommended stronger regulatory oversight of referral arrangements to safeguard consumer interests.

Both regulators have acknowledged the problem. The IRDAI's Annual Report 2020– 21 records that a significant share of consumer complaints originate from bank-led channels,[19] while the RBI's Discussion Paper on Governance in Commercial Banks highlights that the board and senior management must monitor third-party distribution risks as part of governance oversight.[20] These admissions confirm that the challenge is not statutory inadequacy but institutional disjunction.

India's current legal structure therefore legitimises bancassurance but regulates it through two parallel systems that rarely converge at the enforcement stage. The absence of a joint supervisory mechanism weakens accountability, permitting inconsistencies in consumer protection and compliance monitoring. The following chapter examines how these gaps have manifested in judicial and quasi-judicial proceedings involving banks' sale of loan-linked insurance policies and related disputes before consumer forums.

III. JudicialandQuasi-JudicialResponses

Judicial and quasi-judicial forums in India have repeatedly encountered disputes arising from the intersection of banking and insurance regulation. These cases reveal how the absence of a unified supervisory mechanism leaves consumers uncertain about accountability
and regulators hesitant to intervene.[21] The analysis of selected decisions demonstrates that the fragmentation of oversight between the Reserve Bank of India (RBI) and the Insurance Regulatory and Development Authority of India (IRDAI) has material consequences for contractual consent, disclosure, and institutional liability.

Fragmented regulation affects both consumers and front-line employees. In All India Punjab & Sind Bank Officers'

[17] **Standing Committee on Finance (Eighteenth Lok Sabha), *Seventh Report: Action Taken by the Government on the Observations/Recommendations contained in the Sixty-Sixth Report (Seventeenth Lok Sabha) on "Performance Review and Regulation of Insurance Sector"* (Dec. 4, 2024), Recommendation No. 17 (Chapter II, ¶2.17), at p. 40, https://sansad.in/getFile/lsscommittee/Finance/18_Finance_7.pdf?source=loksabhadocs.**

[18] **Insurance Regulatory and Development Authority of India, *Report of the Committee on Distribution Channels* 23–26 (2007–08), https://irdai.gov.in/documents/37343/1369659/Report%2Bof%2Bthe%2BCommittee%2Bon%2BDistribution%2BChannels.pdf/696d1bf4-9572-f047-0448-11d1593e1954?t=1662752508493&version=1.1.**

[19] **Insurance Regulatory and Development Authority of India (IRDAI), *Annual Report 2020-21*, at Chart I.16, p. 41 (2021), https://irdai.gov.in/documents/37343/366637/Annual%2BReport%2B2020-21.pdf.**

[20] **Reserve Bank of India, *Discussion Paper on Governance in Commercial Banks in India* 22 (June 11, 2020), https://rbidocs.rbi.org.in/rdocs/Publications/PDFs/DISCUSSION08CA382F39604B10B420A8A43B0DB0C1.P DF.**

[21] ***Anju Kalsi v. HDFC Ergo Gen. Ins. Co. Ltd.*, Civil Appeal Nos. 1544–1545 of 2022 at https://api.sci.gov.in/supremecourt/2017/34393/34393_2017_34_31_33539_Judgement_21-Feb-2022.pdf; *Madhumita Biswas v. HDFC Standard Life Ins. Co. Ltd*., Dist. Consumer Disputes Redressal Comm'n (Feb. 20, 2020), https://www.casemine.com/judgement/in/5e54d25a9fca190db8f2dc37; *Ramesh N. Lotlikar v. The Manager, India First Life Ins. Co. Ltd*., https://www.casemine.com/judgement/in/6866215fbcd81d0930e62d9e; *Tata AIA Life Ins. Co. Ltd. V. Gyan Prakash Singh*, National Consumer Disputes Redressal Commission (Dec. 5, 2024) at https://www.casemine.com/judgement/in/6735a30a0a0ff50caa8dd145.**

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Union v. Punjab & Sind Bank,[22] the Delhi High Court recorded officers' objections to being compelled to meet insurance-sales targets as part of their performance evaluation, even though such activities fall outside core banking functions. The petition revealed how employees are institutionally driven to mis-sell products while later bearing disciplinary and consumer-law repercussions. A decade later, the Supreme Court in Anju Kalsi v. HDFC Ergo General Insurance Co. Ltd.[23] confronted the consumer side of the same regulatory gap, holding that failure to secure explicit consent in bank-linked insurance renders repudiation invalid. Together, these cases expose the consequences of India's uncoordinated prudential-and-conduct oversight, where fragmented supervision diffuses accountability and sustains systemic mis-selling incentives.

Consumer-forum jurisprudence repeatedly exposes the behavioural failures of bancassurance. In Madhumita Biswas v. HDFC Standard Life Insurance Co. Ltd. (2020)[24], the District Commission found that a bank-linked sales executive had induced the complainant to purchase an insurance policy on the false assurance of a guaranteed return, constituting misselling and misrepresentation. Similarly, in Ramesh N. Lotlikar v. The Manager, India First Life Insurance Co. Ltd.,[25] the forum held that deducting a premium from a borrower's loan account without express consent amounted to an unfair trade practice and directed refund of the amount with interest. The pattern culminated in Tata AIA Life Insurance Co. Ltd. v. Gyan Prakash Singh (2024),[26] where the National Commission ordered restitution for policies sold through deceptive marketing within bank premises, emphasising that the institutional nexus between banks and insurers facilitates coercive solicitation. In each instance, the Commissions stressed that mandatory coupling of credit and insurance contravenes both the spirit of RBI's Fair Practices Code[27] which requires that all charges and conditions linked to a loan, including those relating to ancillary products, be disclosed in writing and accepted by the borrower and IRDAI (Registration of Corporate Agents) Regulations, 2015, which require explicit written authorisation from the customer.[28] Collectively, these decisions show how quasi-judicial bodies have been forced to enforce coordination norms indirectly through consumer-protection reasoning, filling the vacuum left by the absence of a joint supervisory mechanism between the two regulators.

At the doctrinal level, the Supreme Court has clarified that the purchase of insurance services falls squarely within the protective ambit of consumer law. In National Insurance Co. Ltd. v. Harsolia

[22] ***All India Punjab & Sind Bank Officers' Union v. Punjab & Sind Bank & Ors.*****, W.P.(C) No. 1639/2013, ¶¶ 3–6 (Del. H.C. Sept. 19, 2013), https://www.casemine.com/judgement/in/65830cba6923762388910c39.**

[23] **Anju Kalsi v. HDFC Ergo Gen. Ins. Co. Ltd., Civil Appeal Nos. 1544–1545 of 2022 (Sup. Ct. India Feb. 21, 2022), https://api.sci.gov.in/supremecourt/2017/34393/34393_2017_34_31_33539_Judgement_21-Feb2022.pdf.**

[24] **Madhumita Biswas v. HDFC Standard Life Ins. Co. Ltd., Dist. Consumer Disputes Redressal Comm'n (Feb. 20, 2020), https://www.casemine.com/judgement/in/5e54d25a9fca190db8f2dc37.**

[25] **Ramesh N. Lotlikar v. The Manager, India First Life Ins. Co. Ltd., DC/551/CC/42/2023.**

[26] **Tata AIA Life Ins. Co. Ltd. V. Gyan Prakash Singh, Nat'l Consumer Disputes Redressal Comm'n (Dec. 5, 2024), https://www.casemine.com/judgement/in/6735a30a0a0ff50caa8dd145.**

[27] **Reserve Bank of India, Master Circular – Fair Practices Code for Lenders (July 1, 2022), https://www.rbi.org.in/commonperson/English/Scripts/Notification.aspx?Id=1572#Aii.**

[28] **IRDAI, IRDAI (Registration of Corporate Agents) Regulations, 2015, supra note 3, at Sch. VII ¶ 7.3.**

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Motors,[29] the Court held that purchasers of insurance – whether or not the policy relates to a commercial transaction – qualify as "consumers" under Section 2(1)(d) of the Consumer Protection Act, 1986, because insurance is a contract of indemnity and not a profit-generating venture. The Supreme Court in Canara Bank v. United India Insurance Co. Ltd.[30] had also held that consumer forums have the authority to handle cases involving banks that sell insurance products. This remains true even though such matters also fall under the jurisdiction of specialised regulators like the Reserve Bank of India and the IRDAI. Taken together, these judgments show that statutory consumer remedies function alongside regulatory supervision. They also highlight why coordinated enforcement is essential because without it, different forums may reach inconsistent results in bancassurance disputes.

Empirical data corroborates the judicial trend. The IRDAI Annual Report 2020–21 records that nearly one-fifth of all policyholder grievances received that year originated from bank-led channels of insurance distribution, a proportion that has remained consistent since 2017.[31] Also empirical assessments of financial-sector behaviour in India reveal that incentive-based product distribution through banks frequently results in distorted advice and inadequate disclosure. [32] Regulatory analyses have similarly acknowledged that a substantial proportion of insurance-related complaints originate from bank-linked channels, especially where policies are bundled with loans or deposits. Official communications from the insurance regulator have cautioned that such practices undermine consumer confidence and require more coordinated supervision across agencies.[34]

Taken together, the evidence points to one conclusion: when prudential and conduct regulators work in isolation, accountability becomes weaker and grievance redress slows down. The steady rise in consumer complaints confirms the same problem. Each time a bank sells an insurance policy and the insurer later denies the claim, both sides tend to shift the blame. The overlap of authority does not clarify responsibility it confuses it. As a result, consumer forums have become the principal arenas resolving disputes that should, in principle, be addressed through an integrated regulatory mechanism grounded in uniform standards of consent and disclosure.

These judicial and empirical developments reveal that the problem of coordination is not abstract. The simultaneous application of banking, insurance, and consumer laws has produced a layered but inconsistent accountability system. Courts have upheld the permissibility of bancassurance but have also exposed the inadequacy of supervision when functions overlap. The pattern across rulings suggests that enforcement through post-facto litigation is an inefficient substitute for structured regulatory cooperation. The next chapter therefore examines how comparative regulatory models – particularly the "twin-peaks"
frameworks of the United Kingdom and Australia – offer institutional mechanisms for bridging the prudential-conduct divide that India's dual-regulator structure has yet to resolve.

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[29] National Insurance Co. Ltd. V. Harsolia Motors & Ors., (2023) 7 SCC 178, https://indiankanoon.org/doc/19498549/.
[30] Canara Bank v. United India Insurance Co. Ltd., (2020) 3 SCC 455, https://indiankanoon.org/doc/146264212/.
[31] IRDAI, Annual Report 2020–21 (2021), supra note 20, at 41, 91–96
[32] Nat'l Inst. Pub. Fin. & Pol'y, Working Paper No. 174: Financial Misbehaviour in Retail Banks? (2016), https://nipfp.org.in/media/documents/WP_2016_174.pdf. [34] IRDAI, Complaints of Mis-selling, supra note 15.

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IV. Institutional Coordination and Comparative Insights

The regulatory experience described in earlier chapters demonstrates that the dual authority of the Reserve Bank of India (RBI) and the Insurance Regulatory and Development Authority of India (IRDAI) has produced overlapping mandates without a shared enforcement structure.[33] The absence of a permanent coordination mechanism contrasts sharply with the trend in mature financial systems, where prudential and conduct supervision are functionally distinct but institutionally synchronised. [34] Comparative study indicates that coordination, rather than consolidation, strengthens regulatory credibility by preventing gaps in oversight while preserving the autonomy of specialised agencies.[35]

A. The Twin-Peaks Model in the United Kingdom

Following the financial crisis of 2008, the United Kingdom replaced its unitary Financial Services Authority with two complementary regulators – the Prudential Regulation Authority (PRA), housed within the Bank of England, and the Financial Conduct Authority (FCA) – a structure known as the twin-peaks model. [36] The PRA supervises the safety and soundness of banks and insurers, while the FCA oversees market integrity, product suitability, and consumer fairness. Coordination between the two is institutionalised[37] through statutory duties of consultation, joint rule-making committees, and information-sharing agreements embedded in the Financial Services Act 2012. [38] This architecture enables cross-referenced supervision: when prudential weaknesses threaten consumer protection, the regulators act jointly without jurisdictional conflict.

The significance of this model lies in its procedural design. Instead of merging mandates, it aligns them through continuous communication. In the United Kingdom, each regulator continues to exercise its own enforcement authority. Yet, when rules are created or applied, one body must take into account the aims of the other. This method had turned potential areas of convergence into a working system of interdependence, thus carrying clear value for India's fragmented oversight of bancassurance.

B. The Australian Prudential-Conduct Split

Australia adopted a similar structure from the Wallis Reforms in 1998, which created the Australian Prudential Regulation Authority (APRA) for prudential supervision and the Australian Securities

[33] **Lalita Som & Faisal Naru, Regulatory Policy in India: Moving Towards Regulatory Governance, OECD Regulatory Policy Working Paper No. 8, at 28 (2017), available at https://www.oecd.org/content/dam/oecd/en/publications/reports/2017/05/regulatory-policy-inindia_b63e65e4/b335b35d-en.pdf.**

[34] **Daniel Calvo et al., Financial Supervisory Architecture – What Has Changed After the Crisis?, FSI Insights No. 8, at 4 (Bank for International Settlements 2018), https://www.bis.org/fsi/publ/insights8.pdf.**

[35] **Reserve Bank of India, *Rethinking Regulations in an Interconnected Financial System*, Remarks by RBI Deputy Governor Raghu Rajan, at the Banking Regulation & Supervisory School (Aug. 18, 2025), 3–5, https://www.bis.org/review/r250901e.pdf.**

[36] **HM Treasury, *A New Approach to Financial Regulation: Building a Stronger System* ¶¶ 1.10–1.11, at 4–5 (Feb. 2011), https://assets.publishing.service.gov.uk/media/5a78da20ed915d07d35b2ee7/consult_newfinancial_regulation17 0211.pdf.**

[37] **Memorandum of Understanding: Between the Financial Conduct Authority and the Bank of England (including the Prudential Regulation Authority) (Apr. 2013), https://assets.publishing.service.gov.uk/media/5a7ccd2c40f0b6629523be59/9781909096950.pdf.**

[38] **Financial Services Act 2012, c. 21, § 6 (UK), https://www.legislation.gov.uk/ukpga/2012/21/section/6.** [41] **APRA & ASIC Joint Document: "Regulation of Superannuation Entities by APRA and ASIC" (Jul. 9, 2018), https://www.apra.gov.au/sites/default/files/regulation_of_superannuation_entities_by_apra_and_asic.pdf.** [42] **"Bulletin – July 1998: Australia's New Financial Regulatory Framework," Reserve Bank of Australia, https://www.rba.gov.au/publications/bulletin/1998/jul/1.html.**

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and Investments Commission (ASIC) for market conduct.[41] Coordination is achieved through statutory memoranda of understanding, joint taskforces, and shared enforcement databases.[42] ASIC's conduct-supervision framework extends beyond enforcement to the prevention of consumer harm through mandated professional competence. Under Regulatory Guide 146 – Licensing: Training of Financial Product Advisers, all individuals providing financial advice must complete accredited training designed to ensure that recommendations are made in the client's best interest and that product distribution upholds consumer-protection standards.[39] The model demonstrates that dual regulators can act cohesively without statutory merger if collaboration is mandated by design.

C. Implications for India

India already possesses the institutional infrastructure to adopt similar coordination without legislative overhaul. The Financial Stability and Development Council (FSDC), chaired by the Finance Minister, brings together the RBI, IRDAI, SEBI, and PFRDA, yet its role remains consultative.[40] The Council's sub-committee, led by the RBI Governor, periodically reviews financial-sector risks but lacks authority to impose cross-regulatory compliance. International experience suggests that consultation must evolve into supervision.

Although consumer-interest violations have been highlighted time and again, the present system still depends on scattered circulars and temporary working groups. Such measures respond to immediate issues but fail to build lasting oversight. The creation of the IRDAI's Taskforce on Bancassurance in 2023[41] shows how this fragmented approach continues. Instead of setting up a joint supervisory body or a statutory framework linking the RBI and the IRDAI, the initiative remains another circular-based review exercise. The sheer existence of this Taskforce goes to show the gravity of complaints of mis-selling and forcesale. Yet, the functions of the Taskforce are under a single regulator but to study marketconduct problems, examine international models and suggesting revisions to the rules on bancassurance which would again revert to intermittent consultation and circulars instead of a coordinated framework of joint supervision.

V. Conclusion: Findings and Recommendations

The study confirms that India's bancassurance regime is founded on legally sound but administratively fragmented supervision. The Banking Regulation Act and the IRDAI Act grant powers of supervising bancassurances on both the Reserve Bank of India (RBI) and the Insurance Regulatory and Development Authority of India (IRDAI). Each regulator governs a distinct dimension of the same transaction: the RBI focuses on prudential soundness and governance, while the IRDAI regulates market conduct and consumer protection. Yet the absence of a sustained coordination mechanism allows these mandates to intersect without integration. Judicial and consumer-forum decisions have exposed the practical consequences of this dualism like consumers mis-sold policies, insurers repudiating liability, and banks disowning agency responsibility whereas circulars from both regulators have offered only temporary relief.

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[39] **Australian Securities & Investments Comm'n, *Regulatory Guide 146: Licensing — Training of Financial Product Advisers* (July 2012), https://www.asic.gov.au/regulatory-resources/find-a-document/regulatoryguides/rg-146-licensing-training-of-financial-product-advisers/.**

[40] **Ministry of Finance, supra note 17.**

[41] **Insurance Regulatory & Development Authority of India, Order: Taskforce on Bancassurance Channel, IRDAI/PP&GR/ORD/CMT/189/10/2023**

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Three findings emerge.
First, circular-based coordination lacks durability. The repeated issuance of directions by the RBI and IRDAI demonstrates regulatory responsiveness but not institutional continuity. Oversight remains reactive, prompted by individual disputes.
Second, consultation without shared inspection perpetuates informational asymmetry. Each regulator receives only partial visibility of bancassurance operations, creating scope for conflicts of interest, particularly when insurers rely predominantly on parent-bank channels.
Third, fragmented jurisdiction reduces deterrence. Mis-selling is punished mainly through consumer litigation rather than through joint regulatory action. This reliance on courts instead of coordinated oversight weakens the system's ability to prevent violations.
Experience in other jurisdictions shows that the answer is not to merge regulators but to formalise how they work together. The United Kingdom's Twin-Peaks structure and Australia's APRA–ASIC arrangement both show that two independent regulators can function cohesively when cooperation is written into law and procedure. These models use joint committees, shared inspections, and common disclosure standards to turn overlap into organised interdependence. India too already has a platform capable of similar coordination the Financial Stability and Development Council (FSDC). But it lacks teeth.
For that reason, this paper recommends establishing a Joint Supervisory Board (JSB) under the FSDC's umbrella. The proposed JSB would include members from the RBI's Department of Regulation and the IRDAI's Intermediary Supervision Division, with the chair rotating between them. Its role would extend to the following functions:

1. Conduct joint inspections of banks that serve as corporate agents so that prudential control and market-conduct compliance are assessed together, not in isolation.

2. Develop a single framework for disclosure and consent that applies to every form of loan-linked insurance offered through banks.

3. Creation of a consolidated database for consumer complaints, ensuring that grievances submitted to either regulator are examined collectively for speedier resolution.

4. A uniform standard of enforcement must be established across both authorities for purposes of conducting public reports and for ensuing penalties.

5. The JSB must present periodic joint reports of supervision and conduct to the FSDC sub-committee ultimately strengthening transparency and shared accountability.

The said proposal would be easier to implement as it needs the execution of only a MoU between the governing bodies to create the legal set up for ongoing supervision rather than enacting a new legislation or amending an existing one. Individual autonomy is preserved and their powers are extended to take action based on shared data. Such an establishment once subjected to Parliamentary review annually would bring India on par with international standards. The mutation from circular-based directions to a standing institutional process would fulfill promises to both units of the society being the financial institution through systemic stability and the consumers

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through wider financial inclusion and increase in trust.

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