

**IN THE HIGH COURT OF JAMMU & KASHMIR AND LADAKH
AT SRINAGAR**

Reserved on: 25.11.2025

Pronounced on: 05.12.2025

Uploaded on: 05.12.2025

*Whether the operative part
or full judgment is
pronounced: **Full***

CRM(M) No.64/2021

JAMMU AND KASHMIR BANK LTD.

...PETITIONER(S)/APPELLANT(S)

*Through: - Mr. Shafqat Nazir, Advocate, with
Ms. Heena Baqal, Advocate.*

Vs.

UT OF J&K AND ORS.

...RESPONDENT(S)

*Through: - Mr. G. A. Lone, Advocate, with
Mr. Mujeeb Andrab, Advocate,
Mr. Mian Muzaffar, Advocate.*

CORAM: HON'BLE MR. JUSTICE SANJAY DHAR, JUDGE

JUDGMENT

1) The Petitioner Bank, through the medium of present petition, has challenged order dated 27.01.2021, passed by learned Special Judge, Anti-Corruption, Anantnag, whereby a direction has been issued to the Petitioner Bank to calculate interest with regard to the instruments/ payment orders in the name of the private respondents as per saving account rates from 31.03.1993 to 25.07.2009 and as per fixed deposit rates of interest from 25.06.2012.

2) It appears that the aforesaid order has been passed by the learned Special Judge while considering the application

of the Petitioner Bank seeking modification of order dated 07.03.2020 read with order dated 10.11.2020. The application has been decided along with the application of the private respondents seeking direction upon the Petitioner Bank to calculate the interest as per fixed deposit rates from the date of deposit till final realization.

3) Heard and considered.

4) It appears that the private respondents are facing trial before the learned Special Judge, Anti-Corruption, Anantnag, in cases arising out of FIR Nos.10 and 14 to 22 of 1993 registered with Police Station, Vigilance Organization, Kashmir. It also appears that after investigation of the aforesaid FIRs, challans came to be filed before the learned Special Judge, Anticorruption, Anantnag, and the trial in the case is going on. It does appear that during the course of investigation, payment orders were issued by the Petitioner Bank on the basis of WDC bills prepared in favour of the private respondents but the said payment orders were kept on hold/freeze under the orders of the Investigating Agency i.e. Vigilance Organization.

5) It further appears that the private respondents approached the trial court for the release of these freeze payment orders and vide orders dated 16-06-2009 and 30.04.2010 passed by the learned Special Judge Anti-

Corruption, the Petitioner Bank was directed to convert the payment orders into FDRs without any change in the name of holders of the instruments initially for a period of three years. It was further provided that the Bank shall not sanction any loan against these FDRs.

6) It seems that an application came to be filed by the private respondents seeking renewal of the FDRs, which was allowed by the learned Special Judge Anti-Corruption vide its order dated 04-05-2019 and it was directed that there shall be auto-renewal of the FDRs mentioned in the said order after every three years till further orders of the court. The other conditions remained unaltered.

7) On 07-03-2022, another order came to be passed by the learned Special Judge on the basis of an application made by the private respondents seeking a direction for calculation of interest on the rates applicable to fixed deposits from the due date of renewal of FDRs. In the said application, a direction was issued upon the Petitioner Bank to calculate the interest as per the fixed deposit rates from the due date of renewal of the FDRs and not as per the saving rate of interest as was calculated by the Petitioner Bank. Another direction came to be passed by the learned Special Judge on 10-11-2020, whereby the Petitioner Bank was directed to submit a

compliance report with respect to orders dated 04-05-2019 and 07-03-2020.

8) Aggrieved by the aforesaid orders dated 07-03-2020 and 10-11-2020, the Petitioner Bank filed a petition under Section 482 of the Cr.P.C bearing CRM(M) No.243/2020, which was disposed of by this Court on 20-11-2020 asking the Petitioner Bank to approach the trial court for modification of order dated 07-03-2020 and a direction was issued to the trial court to decide the said application within a period of 30 days.

9) Accordingly, the Petitioner Bank sought modification of orders dated 07-03-2020 and 10-11-2020 by moving appropriate motion before the learned Special Judge Anti-Corruption, Anantnag. Another application was moved by the private respondents seeking a direction upon the Petitioner Bank to calculate the interest as per fixed deposit rates from the date of deposit of payment orders till final realization. On the said application, the impugned order came to be passed by the learned Special Judge directing the Petitioner Bank to calculate interest at saving rates from 31-03-1993 (the date on which the payment orders were issued by the Petitioner Bank) to 25-07-2009 (the date on which the payment orders were converted into FDRs pursuant to order dated 16.06.2009 passed by the learned Special Judge). It was

further directed that from 25-06-2012 (the date on which the FDRs matured), the interest be calculated at the rates applicable to fixed deposit receipts.

10) The Petitioner Bank has challenged the aforesaid order on the grounds that the learned Special Judge did not have jurisdiction to pass the impugned direction. It has been submitted that during the period FDRs were not renewed, the interest is eligible to be calculated on the rates applicable to savings bank account. It has been submitted that during the period FDRs were not renewed, the interest cannot be calculated at the rates applicable to fixed deposit receipts. In this regard, reference has been made to Circular No.647 dated 21-02-2012, and Circular No.259 dated 19-07-2019. According to the Petitioner Bank, in the absence of any instructions regarding renewal of FDRs after 25-06-2012, the said FDRs could not be renewed, and, as such, the amount in the said FDRs would earn interest at the rates applicable to saving bank accounts. It has been contended that the Petitioner Bank is not liable to pay any interest on the payment orders which remained with it from 31-03-1993 up to the year 2009, till the directions were received from the learned trial court for their conversion into FDRs. It has been submitted that these payment orders were not earning any interest, therefore, the direction regarding calculation of

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interest on the rates applicable to savings bank account is not in accordance with the law.

11) The first question that falls for determination is whether the Petitioner Bank is obliged to pay interest on the payment orders, which remained with it from 31-03-1993 up to the time they were converted into FDRs in terms of the direction dated 16-06-2009 passed by the learned Special Judge. In this regard, learned counsel for the private respondents has vehemently argued that the payment orders issued by the Petitioner Bank in favour of the private respondents are as good as cash lying with the bank; therefore, the Petitioner Bank is obliged to pay interest on the said amount.

12) The contention of the private respondents that the payment orders issued by the Petitioner Bank in their favour can safely be termed as banker's cheques or cheque notes cannot be disputed. Ordinarily, a bank is obliged to pay interest on the amount covered by a payment order or banker's cheque if it fails to honour it without any justifiable reason. However, the situation in the present case is different. Encashment of the payment orders in favour of the private respondents was withheld by the Petitioner Bank on the basis of the instructions from the Investigating Agency, as these payment orders had been frozen under the orders of the Investigating Agency. In these circumstances, the Petitioner

Bank could neither utilise the amount covered by these payment orders nor release the same in favour of the beneficiaries. In such a situation, it was not open to the learned Special Judge to direct the Petitioner Bank to calculate interest on the amounts covered by the payment orders for the period from 31-03-1993 up to the date when, by order of the court, these payment orders were converted into FDRs.

13) The amount covered by the payment orders constitutes the case property, which can be utilised or released only in accordance with the directions passed by the learned Special Judge in exercise of powers under Section 451 Cr.P.C. Up till 16-06-2009, no order had been passed by the learned Special Judge regarding custody or disposal of the payment orders, which constitutes case property. It was only on 16-06-2009 that the learned Special Judge, in order to avoid loss to the beneficiaries or the State, directed the conversion of the case property into FDRs. Therefore, the Petitioner Bank is obliged to pay interest on the amount covered by these payment orders (being case property) only with effect from the date of their conversion into FDRs, i.e., from 25-06-2009, and not prior to that, when there was no direction in place with regard to mode of utilization of the payment orders.

14) The next question that falls for determination is as to at what rate the Petitioner Bank is obliged to pay interest on the FDRs prepared pursuant to order dated 16-06-2009, and whether, for the period during which these FDRs were not renewed, the Petitioner Bank is liable to pay interest, and if so, at what rate.

15) There is no difficulty in holding that the Petitioner Bank is obliged to pay interest at the rates applicable to fixed deposits from 25-06-2009 to 24-06-2012, as the order dated 16-06-2009 clearly provided for conversion of the payment orders into FDRs initially for a period of three years. The contention of the Petitioner Bank is that the FDRs were not renewed because no instructions were received either from the court or from the beneficiaries, and consequently, the FDRs could be renewed only after 16-06-2019, when an order to this effect came to be passed by the learned Special Judge. It has been submitted that without instructions either from the beneficiaries or the court, the Petitioner Bank was not obliged to renew the FDRs and, therefore, for the period during which the FDRs remained unrenewed, the Petitioner Bank, at best, is obliged to pay interest at the rates applicable to saving bank accounts.

16) The aforesaid contention of the Petitioner Bank is misconceived, firstly for the reason that vide order dated

04.05.2019 passed by the learned Special Judge, the Petitioner Bank has been directed to make auto renewal of the FDRs with effect from 25.06.2012, the date on which the FDRs matured and it was further directed that the Petitioner Bank shall keep on renewing these FDRs after every three years till further orders from the court. Thus, there is a specific direction from the learned Special Judge to renew the FDRs with effect from the date of their maturity. This direction of the learned Special Judge has not been assailed by the Petitioner Bank and, as such, is binding upon it.

17) Apart from the above, Circular No.647 of the Petitioner Bank provides for automatic renewal of term deposits. The Petitioner Bank has placed on record a copy of communication dated 21st February, 2012, which makes reference to the said Circular. Vide the said communication, all business units of the Petitioner Bank have been advised to strictly adhere to the policy guidelines relating to auto renewal of term deposits so that no inconvenience is caused to the customers. In the face of this document, the Petitioner Bank cannot be heard to say that the FDRs prepared pursuant to the court directions which are lying with it could not have been renewed without instructions of the court or the beneficiaries. The contention of the Petitioner Bank in this regard is wholly misconceived.

18) For what has been discussed hereinabove, the petition is partly allowed and direction of the learned Special Judge for payment of interest on Payment Orders from 31.03.1993 to 25.06.2009 is set aside whereas the direction for payment of interest from 25.06.2009 onwards at the rates applicable to fixed deposit receipts is upheld.

(SANJAY DHAR)
JUDGE

Srinagar

05.12.2025

“Dhat Altaf”

*Whether the **Judgment** is speaking:*

Yes

*Whether the **judgment** is reportable:*

Yes/No