

IN THE HIGH COURT OF KARNATAKA AT BENGALURU

DATED THIS THE 02ND DAY OF APRIL, 2026

BEFORE

THE HON'BLE MR. JUSTICE ANANT RAMANATH HEGDE

WRIT PETITION NO. 35848 OF 2015 (L-RES)

BETWEEN:

CENTRAL BANK OF INDIA,
REGIONAL OFFICE, 1st FLOOR,
SANTHOSH CINEMA COMPLEX,
KEMPEGOWDA ROAD,
BANGALORE-560 009,
REPRESENTED BY ITS,
DEPUTY REGIONAL MANAGER,
SRI K MANJUNATH.

...PETITIONER

(BY SRI SYED KASHIF ALI, ADVOCATE FOR
SRI. PRADEEP S SAWKAR.,ADVOCATE)

AND:

SMT VANITHA S RAO,
W/O SRI K SRINIVAS,
AGED ABOUT 61 YEARS,
NO-U-1 GNAESH BLOCK,
"AI VENKATESHWARA",
IV FLOOR, IST MAIN ROAD,
SESHADRIPURAM,
BANGALORE-560 020.

...RESPONDENT

(BY SRI K SRINIVASA, ADVOCATE)

THIS WRIT PETITION IS FILED UNDER ARTICLES 226 AND 227 OF THE CONSTITUTION OF INDIA PRAYING TO QUASH THE AWARD PASSED BY THE CENTRAL GOVERNMENT INDUSTRIAL TRIBUNAL-CUM-LABOUR COURT, BANGALORE, DTD.27.4.2015 IN C.R.NO.16/2010 [ANNEX-P] AND REJECT THE ORDER OF REFERENCE HOLDING THAT THE BANK IS JUSTIFIED IN IMPOSING THE PUNISHMENT OF DISMISSAL FROM SERVICE.

THIS PETITION HAVING BEEN HEARD AND RESERVED FOR ORDERS ON 10TH MARCH, 2026 AND COMING ON FOR PRONOUNCEMENT THIS DAY, THE COURT PRONOUNCED THE FOLLOWING:

CORAM: HON'BLE MR. JUSTICE ANANT RAMANATH HEGDE

CAV ORDER

This petition is filed assailing the award dated 27/04/2015 in C.R. No. 16/2010 passed by the Central Government Industrial Tribunal-cum-Labour Court. In terms of the award, the penalty of dismissal imposed on the respondent-employee is set aside. Hence, the petitioner-employer is before this Court.

2. The respondent was an employee of the petitioner-Bank, and she joined the petitioner's Bank on 17.07.1978 as a clerk. A disciplinary enquiry was initiated against the respondent on certain charges. It is alleged that the respondent had borrowed a loan of Rs.3,00,000/- from UCO Bank on 28.02.2002 by mortgaging her property, and the respondent had suppressed the fact that the said property was already offered as security on 31.12.2001, for the loan availed by her husband from Indian Bank.

3. The further allegation is that, the same property was mortgaged by depositing the original gift deed dated 22.12.2001, in the year 2004, to the loan availed by a third party from The Grain Merchant's Co-operative Bank Ltd.

4. The petitioner also alleged that the respondent-employee was required to obtain prior permission from the Competent Authority while borrowing a loan from other financial institutions, and same was not done and the respondent cheated the financial institutions by fraudulently mortgaging the property as security for different loans availed by her and her relatives.

5. The charge memo dated 02.02.2007 issued to the respondent refers to misconduct in terms of Paragraph No. 5(j) of the Memorandum of Settlement dated 10.04.2002.

6. The respondent disputed the charges. A domestic enquiry was held, and the Enquiry Officer found that the charges were proved and proposed the penalty of dismissal. The Disciplinary Authority dismissed the respondent.

7. Aggrieved by the order of dismissal, the respondent raised an industrial dispute. The Labour Court held that the

enquiry was fair and proper. Evidence was led on the plea of victimization.

8. The Labour Court also recorded a finding that the allegations are proved but concluded that the misconduct under Section 5(j) of the Memorandum of Settlement dated 10.04.2002 was not established. Thus, the Labour Court set aside the penalty of dismissal, directed reinstatement with full back wages and all consequential benefits, along with continuity of service.

9. Learned counsel appearing for the petitioner submitted that the petitioner is a nationalised bank and the respondent was its employee. Without disclosing the fact that the property was already mortgaged in favour of other financial institutions as a security for the loans borrowed by her husband, the respondent also borrowed a loan in her own name by offering the said property.

10. It is urged that the conduct of the respondent is unbecoming of an employee of a bank, and it has tarnished the image of the bank, and under Section 5(j) of the Memorandum of Settlement dated 10.04.2002, it amounts to misconduct on the part of the respondent.

11. It is also urged that the Labour Court, after having recorded a finding that the charges were proved, could not have interfered with the penalty of dismissal, as the scope for interference is extremely limited unless it is established that the penalty is disproportionate to the misconduct alleged.

12. The learned counsel for the petitioner placed reliance on the judgment of the Apex Court in ***Disciplinary Authority-cum-Regional Manager and Ors. vs. Nikunja Bihari Patnaik***¹.

13. Learned counsel appearing for the respondent, supporting the impugned award, contended that Paragraph No. 5(j) of the settlement entered into between the Management and the Union does not contemplate disciplinary action in the situation brought before the Court.

14. It is further urged that, the respondent-employee had borrowed loan from a bank and had offered guarantees to two other banks for some loans, and has not caused any financial loss to the petitioner-Bank, and the loan amount has been repaid.

¹ (1996) 9 SCC 69

15. It is urged that the transactions referred to in the charge memo are outside the scope of employment; as such, the petitioner-employer is not justified in holding the domestic enquiry. It is also urged that the Rules and Regulations applicable to the petitioner-Bank and the respondent did not contemplate obtaining permission from the employer while borrowing loans from other financial institutions.

16. The property belonged to the respondent, and she had mortgaged the property in favour of financial institutions which extended loan facilities to borrowers, and that cannot be termed as misconduct on the part of the respondent is the submission.

17. The Court has considered the contentions raised at the Bar and perused the records.

18. The respondent has attained the age of superannuation during the pendency of this petition. It is noticed that Section 17B wages under the Industrial Disputes Act, 1947 (Act, 1947), were granted from the date of the stay order granted by this Court till the date of superannuation.

19. The finding of the Labour Court on the alleged misconduct is as under:

"9.xxxxx

.....Under these circumstances though the facts of borrowing standing guarantee and committing default in payment of the loans are proved being not disputed the finding of the Enquiry Officer that charge of gross misconduct as envisaged under Para 5(j) of the Memorandum of Settlement is proved is baseless and perverse. Under the circumstances, I have arrived at conclusion that the findings of the Enquiry Officer the charges of gross-misconduct levelled against the I Party are proved are perverse and consequently the punishment imposed by the Disciplinary Authority and upheld by the Appellate Authority on such findings are unsustainable."

20. Having recorded the findings that the respondent had borrowed loans, offered the property as security, and defaulted in repayment, the Labour Court directed reinstatement on the premise that there is no misconduct on the part of the employee.

21. On appreciation of the stand taken by the first party/workman and the evidence led before the Labour Court, there is no difficulty in holding that the first party-workman

borrowed money, stood as a guarantor, and also committed default, and while borrowing money and offering the property as security for the loan, the borrower/guarantor did not disclose the fact that the property was offered as security for an earlier loan transaction.

22. Thus, the question before the Court is, "Whether the act/omission by the first party/workman amounts to misconduct under Clause 5(j) of the Memorandum of Settlement dated 10.04.2002 and is applicable to the respondent/employee?"

23. The Clause 5(j) reads as under:

"5: By the expression 'gross misconduct' shall be meant any of the following acts and omissions on the part of the employee:

(a) xxx

(b) xxx

(j) doing any act prejudicial to the interest of the bank or gross negligence or negligence involving or likely to involve the bank in serious loss.

xxx

(Emphasis supplied)

24. As already noticed, the petitioner-employer contends that the act committed by the respondent-employee is prejudicial to the interest of the bank on the premise that it has seriously affected the goodwill of the bank, and the act is unbecoming of a bank employee.

25. The respondent-employee contends that the employee borrowed loans from a different bank, stood as a guarantor for another bank, and now the entire amount is recovered, and this act has not caused any prejudice to the interest of the employer-bank and does not cause any serious loss to the employer-bank.

26. The Labour Court has taken the view that the aforementioned act does not amount to misconduct as defined under Clause 5(j) of the terms of the settlement. As can be seen from the award, it is noticed that the Labour Court has not assigned reasons as to why such act or omission on the part of the workman does not amount to misconduct.

27. In normal circumstances, the Court could have referred the matter to the Labour Court to assign reasons as to why the act of the employee does not amount to misconduct under Clause 5(j) of the Memorandum of Settlement. However

the respondent has already attained the age of superannuation such a course is not desirable.

28. The Labour Court has also held that the charge levelled against the respondent-employee is not related to the alleged failure to obtain permission of the employer before availing the loan. The Court has perused the charges.

29. Charge-I is that the first party-employee, who availed a loan of Rs. 3,00,000/- from UCO Bank on 28.02.2002 by mortgaging the flat and by giving an undertaking to UCO Bank that she would produce the original gift deed dated 22.12.2001 and other related documents pertaining to the mortgaged property, has not produced the original gift deed.

30. Charge-II is that the first party-employee extended a personal guarantee in favour of UCO Bank on 31.12.2001 for a credit facility of Rs.37 lakhs sanctioned to M/s.Urethane India, a partnership firm run by her husband and sons, against the security of property belonging to K. Srinivas, which also includes the flat gifted to the first party-employee.

31. Charge-III is that the first party-employee availed a mortgage loan of Rs.5,50,000/- on 26.04.2004 from Grain

Merchants Co-operative Bank Limited against the deposit of the original gift deed dated 22.12.2001.

32. Charge-IV is that the first party-employee stood as a guarantor to the credit facility availed by M/s.Urethane India from Indian Bank by creating an equitable mortgage of the property covered under the gift deed dated 22.12.2001, which was also offered as security to UCO Bank on 31.12.2001.

33. There is no difficulty in holding that the respondent-employee had borrowed loans or stood as a guarantor by mortgaging the same property. It is not the stand of the employee that the property was mortgaged by disclosing earlier charges and mortgage.

34. Thus, the charges that the same property was offered as security to multiple loan transactions without disclosing prior mortgage are in fact, established. That is also the finding of the Labour Court.

35. The question that needs to be answered by the Court is: *"Whether the suppression of material facts by the employee can be construed as an act of misconduct enabling*

the employer to hold a disciplinary enquiry and to impose a penalty in terms of the settlement?"

36. It is to be noticed that the right to impose a penalty on the respondent-employee after holding a disciplinary enquiry is a right conferred on the employer, and the said right is regulated in terms of the contract of employment and any other terms agreed upon by the employer and the employee.

37. In the instant case, there is no difficulty in holding that the petitioner-employer is asserting its right to hold a disciplinary enquiry and impose a penalty under Clause 5(j) of the settlement, which refers to acts prejudicial to the interest of the bank or gross negligence involving or likely to involve the bank in serious loss. There is no evidence as to the actual loss, if any, caused to the bank. Whether the amount was repaid by the time the penalty of dismissal was imposed is not forthcoming. However, the Court is required to consider the expression "*likely to involve the bank in serious loss*" found in Clause 5(j) of the settlement.

38. In the context of the aforementioned expression in Clause 5(j) of the settlement, there is no difficulty in holding that the act of the respondent-employee in mortgaging a

property already mortgaged as security for another transaction, apparently without disclosing the earlier mortgage and loan transaction, constitutes a potential loss to the bank. This aspect has not been considered by the Labour Court. The Labour Court recorded an erroneous finding that the act of the employee does not amount to misconduct.

39. The Court is of the view that the said finding is untenable and ex facie contrary to Clause 5(j) of the settlement.

40. Now the question is, "Whether the respondent was required to obtain permission from the employer before availing loan from the third party and whether, misconduct is alleged in this behalf?"

41. The relevant portion of the charge memo reads as under:

"Mrs. Vanitha S. Rao has committed the acts of misconduct as under:

01. She has not obtained prior permission from the Competent Authority when she was borrowing such huge loans from other financial institutions or guaranteeing huge financial liabilities.

02. *She has cheated the said financial institutions by fraudulently mortgaging the same property as security for different loans availed by her and her relatives.*
03. *She has defaulted the said financial institutions in the capacity of borrower and guarantor."*

42. At this juncture, it is also necessary to refer to Central Bank of India Officer, Employees' (Conduct) Regulations, 1976, (Regulations, 1976). Said Regulation defines 'officer employee in Regulation 2(i). And the definition of 'officer employee' reads as under:

"2. In these regulations unless the context otherwise requires-

"x x x x

x x x x

x x x x

- (i) "officer employee" means a person who holds a supervisory, administrative or managerial post in the bank or any other person who has been appointed and is functioning as an officer of the bank, by whatever designation called and includes a person whose services are temporarily placed at the disposal of the Central Government or a State Government or any other Government undertaking or any other public sector bank or the Reserve Bank of India or any other organisation,*

but shall not include casual, work charged or contingent staff or the award staff;"

43. Relevant portion of Regulation No. 15 of Regulations, 1976, reads as under:

"LENDING AND BORROWINGS:

15. No officer employee shall, in his individual capacity:-

x x x

x x x

x x x

(v) guarantee in his private capacity the pecuniary obligations of another person or agree to indemnity in such capacity another person from loss except with the previous permission of the competent authority."

44. The definition of 'officer employee' includes persons in supervisory, administrative, or managerial posts in the bank or *any other person appointed and functioning as an officer of the bank other than casual worker, contingent staff or the award staff*. The expression 'award staff' though not defined under the Regulations, 1976, in the Indian Banking Industry it is generally understood as 'clerical staff'. The respondent admittedly was a clerical staff.

45. Admittedly, the respondent has not obtained the permission. However, Regulation No.15 does not impose any mandate on the clerical staff to seek permission before borrowing loan or standing as guarantee. Hence, there is no misconduct for alleged violation of Regulation 15 as the said Regulation does not bind the respondent.

46. However, as already noticed the misconduct is established as the respondent has violated Clause 5(j) of the settlement. And as already discussed, same amounts to misconduct. The respondent being the bank employee should have diligently followed the requirement of Clause 5(j) and borrowing loan and standing as a guarantee on the strength of property already mortgaged without disclosing the prior mortgage is a serious misconduct.

47. The employer, under the settlement, is empowered to impose the penalty of dismissal for such misconduct, and the same was interfered with by the Labour Court on an erroneous interpretation of Clause 5(j) of the settlement. This being the position, the Court is of the view that the penalty of dismissal could not have been interfered with by the Labour Court.

48. It is submitted at the Bar that the respondent did not opt for pension scheme and the service benefits payable to the respondent is already paid and Section 17B wages are also paid till the date of superannuation.

49. Though the petitioner succeeds, the petitioner shall not claim refund of Section 17B wages from the respondent.

50. Hence the following:

ORDER

- (i) Writ Petition is ***allowed***.
- (ii) The impugned Award dated 27/04/2015 in C.R. No. 16/2010 passed by the Central Government Industrial Tribunal-cum-Labour Court is set-aside.
- (iii) The order of dismissal dated 28.09.2007 is confirmed.

**Sd/-
(ANANT RAMANATH HEGDE)
JUDGE**

GVP