

IN THE HIGH COURT OF KARNATAKA AT BENGALURU

DATED THIS THE 28TH DAY OF JULY, 2026

PRESENT

THE HON'BLE MRS. JUSTICE ANU SIVARAMAN

AND

THE HON'BLE MS. JUSTICE TARA VITASTA GANJU

MISCELLANEOUS FIRST APPEAL NO.4850 OF 2025 (KPIDFA)
C/W

MISCELLANEOUS FIRST APPEAL NO.4851 OF 2025 (KPIDFA)
MISCELLANEOUS FIRST APPEAL NO.4856 OF 2025 (KPIDFA)
MISCELLANEOUS FIRST APPEAL NO.4860 OF 2025 (KPIDFA)

IN MFA NO.4850/2025:

BETWEEN:

SATISH SIDDALINGAPPA MANGASULI
S/O SATISH MANGASULI
AGED ABOUT 62 YEARS
R/AT NO.421
JAIN PETA, MURGENDRA BANK
ATHANI
BELAGAVI-591 304

...APPELLANT

(BY SRI. NANDISH PATIL, ADV.)

AND:

- 1 . THE COMPETENT AUTHORITY FOR
KARNATAKA CO-OPERATIVE CREDIT SOCIETY,
ATHANI
REPRESENTED BY ITS COMPETENT AUTHORITY
S. N. SUBRAMANYA
AGED ABOUT 59 YEARS
ASSISTANT COMMISSIONER-1
O/O SPECIAL OFFICER AND
COMPETENT AUTHORITY
(IMA AND OTHER KPID CASES)
3RD FLOOR

Digitally
signed by
PAVITHRA N
Location:
High Court
of Karnataka

PODIUM BLOCK
VISHVESHWARAI AH TOWER
DR. B. R. AMBEDKAR VEEDI
BENGALURU-560 001

2 . M/S. KARNATAKA CO-OPERATIVE
CREDIT SOCIETY LIMITED, ATHANI
BELAGAVI DISTRICT

REPRESENTED BY ITS CHAIRMAN
SHRI SUBHASH RAMACHANDRA KURHADE
S/O RAMACHANDRA KURHADE
NO.587, MILINDA NAGAR
UGARA KHURD, KAGAWADA TALUK
BELAGAVI DISTRICT-591 316

...RESPONDENTS

(BY SRI. VEERESH RACHAPPA BUDIHAL, ADV. FOR R1;
NOTICE TO R2 D/W)

THIS MFA IS FILED UNDER SECTION 16 OF THE KARNATAKA PROTECTION OF INTEREST OF DEPOSITORS IN FINANCIAL ESTABLISHMENTS ACT, 2004, AGAINST THE ORDER DATED 14.03.2025 PASSED IN MISC.NO.66/2025 ON THE FILE OF THE XCI ADDITIONAL CITY CIVIL AND SESSIONS JUDGE AND SPECIAL JUDGE FOR KPIDFE CASES, BENGALURU (CCH-92), ALLOWING THE PETITIONS FILED UNDER SECTION 5(2) OF THE KARNATAKA PROTECTION OF INTEREST OF DEPOSITORS IN FINANCIAL ESTABLISHMENTS ACT, 2004.

IN MFA NO.4851/2025:

BETWEEN:

SHRI KAMALANAVARA MOHMAD SAHEBA
DASTAGIRA SAHEBA
S/O DASTAGEERA
AGED ABOUT 67 YEARS
JANAWADA

BELAGAVI - 591 240

...APPELLANT

(BY SRI. NANDISH PATIL, ADV.)

AND:

1 . THE COMPETENT AUTHORITY FOR
KARNATAKA CO-OPERATIVE CREDIT SOCIETY
ATHANI
REPRESENTED BY ITS COMPETENT
AUTHORITY, S. N. SUBRAMANYA
AGED ABOUT 59 YEARS
ASSISTANT COMMISSIONER -1
O/O SPECIAL OFFICER AND COMPETENT AUTHORITY
(IMA AND OTHER KPID CASES)
3RD FLOOR, PODIUM BLOCK
VISHVESHWARIAH TOWER
DR. B.R. AMBEDKAR VEEDI
BENGALURU - 560 001

2 . M/S. KARNATAKA CO-OPERATIVE
CREDIT SOCIETY LIMITED
ATHANI,
BELAGAVI DISTRICT
REPRESENTED BY ITS CHAIRMAN
SHRI SUBHASH RAMACHANDRA
KURHADE
S/O RAMACHANDRA KURHADE
NO.587, MILINDA NAGAR
UGARA KHURD, KAGAWADA TALUK
BELAGAVI DISTRICT - 591 316

...RESPONDENTS

(BY SRI. VEERESH RACHAPPA BUDIHAL, ADV. FOR R1;
NOTICE TO R2 D/W)

THIS MFA IS FILED UNDER SECTION 16 OF THE
KARNATAKA PROTECTION OF INTEREST OF DEPOSITORS IN
FINANCIAL ESTABLISHMENTS ACT, 2004, AGAINST THE ORDER
DATED 14.03.2025 PASSED IN MISC.NO.55/2025 ON THE FILE
OF THE XCI ADDITIONAL CITY CIVIL AND SESSIONS JUDGE AND

SPECIAL JUDGE FOR KPIDFE CASES, BENGALURU (CCH-92),
ALLOWING THE PETITIONS FILED U/S.5(2) OF THE KARNATAKA
PROTECTION OF INTEREST OF DEPOSITORS IN FINANCIAL
ESTABLISHMENTS ACT, 2004.

IN MFA NO.4856/2025:

BETWEEN:

UTTAM PANDITA PATILA
S/O PANTITH SEEMANTH PATIL
C/O PANDITA PATILA S. R.
AGED ABOUT 61 YEARS
R/O NO. 1524
ATHANI ROAD, SHINNALA
THANGADI, BELAGAVI - 591 303

...APPELLANT

(BY SRI. NANDISH PATIL, ADV.)

AND:

- 1 . THE COMPETENT AUTHORITY FOR
KARNATAKA CO-OPERATIVE CREDIT SOCIETY
ATHANI
REPRESENTED BY ITS COMPETENT AUTHORITY
S. N.SUBRAMANYA
AGED ABOUT 59 YEARS
ASSISTANT COMMISSIONER - 1
O/O SPECIAL OFFICER AND COMPETENT AUTHORITY
(IMA AND OTHER KPID CASES)
3RD FLOOR, PODIUM BLOCK
VISHVESHWARAIHA TOWER
DR. B. R. AMBEDKAR VEEDI
BENGALURU - 560 001
- 2 . M/S. KARNATAKA CO-OPERATIVE CREDIT
SOCIETY LIMITED
ATHANI,
BELAGAVI DISTRICT
REPRESENTED BY ITS CHAIRMAN

SHRI SUBHASH RAMACHANDRA
 KURHADE
 S/O RAMACHANDRA KURHADE
 NO.587, MILINDA NAGAR
 UGARA KHURD, KAGAWADA TALUK
 BELAGAVI DISTRICT - 591 316

...RESPONDENTS

(BY SRI. VEERESH RACHAPPA BUDIHAL, ADV. FOR R1;
 NOTICE TO R2 D/W)

THIS MFA IS FILED UNDER SECTION 16 OF THE KARNATAKA PROTECTION OF INTEREST OF DEPOSITORS IN FINANCIAL ESTABLISHMENTS ACT, 2004, AGAINST THE ORDER DATED 14.03.2025 PASSED IN MISC.NO.64/2025 ON THE FILE OF THE XCI ADDITIONAL CITY CIVIL AND SESSIONS JUDGE AND SPECIAL JUDGE FOR KPIDFE CASES, BENGALURU (CCH-92), ALLOWING THE PETITIONS FILED U/S.5(2) OF THE KPIDFE ACT, 2004.

IN MFA NO.4860/2025:

BETWEEN:

RASULASAB NADAF
 S/O MEERASAB
 AGED ABOUT 65 YEARS
 R/O BELAWAD
 ATHANI TALUK
 BELAGAVI DISTRICT - 591 304

...APPELLANT

(BY SRI. NANDISH PATIL, ADV.)

AND:

- 1 . THE COMPETENT AUTHORITY FOR
 KARNATAKA CO-OPERATIVE CREDIT SOCIETY
 ATHANI

REPRESENTED BY ITS COMPETENT AUTHORITY
 S.N.SUBRAMANYA
 AGED ABOUT 59 YEARS
 ASSISTANT COMMISSIONER - 1
 O/O SPECIAL OFFICER AND
 COMPETENT AUTHORITY
 (IMA AND OTHER KPID CASES)
 3RD FLOOR, PODIUM BLOCK
 VISHVESHWARIAH TOWER
 DR. B.R. AMBEDKAR VEEDI
 BENGALURU - 560 001

2 . M/S. KARNATAKA CO-OPERATIVE
 CREDIT SOCIETY LIMITED
 ATHANI
 BELAGAVI DISTRICT

REPRESENTED BY ITS CHAIRMAN
 SHRI SUBHASH RAMACHANDRA KURHADE
 S/O RAMACHANDRA KURHADE
 NO.587, MILINDA NAGAR
 UGARA KHURD, KAGAWADA TALUK
 BELAGAVI DISTRICT - 591 316

...RESPONDENTS

(BY SRI. VEERESH RACHAPPA BUDIHAL, ADV. FOR R1;
 NOTICE FOR R2 D/W)

THIS MFA IS FILED UNDER SECTION 16 OF THE KARNATAKA PROTECTION OF INTEREST OF DEPOSITORS IN FINANCIAL ESTABLISHMENTS ACT, 2004, AGAINST THE ORDER DATED 14.03.2025 PASSED IN MISC.NO.65/2025 ON THE FILE OF THE XCI ADDITIONAL CITY CIVIL AND SESSIONS JUDGE AND SPECIAL JUDGE FOR KPIDFE CASES, BENGALURU (CCH-92), ALLOWING THE PETITIONS FILED U/S.5(2) OF THE KARNATAKA PROTECTION OF INTEREST OF DEPOSITORS IN FINANCIAL ESTABLISHMENT ACT, 2004.

THESE APPEALS HAVING BEEN HEARD AND RESERVED FOR JUDGMENT ON 29.06.2026 AND COMING ON FOR PRONOUNCEMENT OF JUDGMENT THIS DAY, **ANU SIVARAMAN J.**, PRONOUNCED THE FOLLOWING:

CORAM: HON'BLE MRS. JUSTICE ANU SIVARAMAN
AND
HON'BLE MS. JUSTICE TARA VITASTA GANJU

CAV JUDGMENT

(PER: HON'BLE MRS. JUSTICE ANU SIVARAMAN)

Miscellaneous First Appeals No.4850/2025, 4851/2025, 4856/2025 and 4860/2025 arise from Orders dated 14.03.2025 passed by the XCI Additional City Civil and Sessions Judge, Bengaluru (CCH-92) ('Special Court' for short) in Misc. Cases No.66/2025, 55/2025, 64/2025, 65/2025, respectively, under Section 5(2) of the Karnataka Protection of Interest of Depositors in Financial Establishments Act, 2004 ('KPIDFE Act' for short).

2. We have heard Shri. Nandish Patil, learned counsel appearing for the appellant, Shri. Veeresh Rachappa Budihal, learned counsel appearing for respondent No.1 in all the appeals.

3. The basic facts as disclosed in these appeals are as follows:-

It is contended that the second respondent is a Co-operative Society registered under the Karnataka Co-operative Societies Act, 1959. On complaints by depositors regarding non repayment of investments, FIR was registered in Crime No.346/2020 at the Athani Police Station. The State Government invoked the KPIDFE Act and issued a provisional attachment order dated 02.09.2024 under Section 3(2) of the KPIDFE Act. The Order of Attachment was duly published in the Official Gazette on 03.09.2024 and in two Newspapers dated 15.09.2024, having state-wide circulation, that is, the 'Hindu', an English Newspaper and 'Vijayavani', a Kannada Newspaper. The Competent Authority filed the petition under Section 5(2) read with Section 7(1) of the KPIDFE Act seeking confirmation of the attachment along with an application under Section 5 of the Limitation Act, 1963 for condonation of delay of 83 days in filing the application. The second respondent did not enter appearance and was placed *ex parte*.

4. The appellants filed their objections stating that the Society had 1458 borrowers and that the amounts due

from the borrowers along with interest would come to nearly ₹19,13,23,157/-. It is contended that 234 disputes were raised under the Co-operative Societies Act, which are pending adjudication. It was contended that if the borrowers' amounts are acquired, the entire liability of the Society can be met and there was no need for the invocation of the KPIDFE Act. It is contended that without considering the objections of the appellants, the delay of 83 days in filing the application was condoned and the interim order of attachment was made absolute.

5. The learned counsel appearing for the appellant contends that the Special Court erred in condoning the delay of 83 days in filing the application under Section 5(2) of the KPIDFE Act, since the Section provides only for 30 days from the date of Section 3(2) Notification of filing the application and a further time of 15 days, which can be granted by the Government for the purpose. It is therefore contended that after 45 days from the date of the Notification, the Competent Authority has absolutely no power to file an application under Section 5(2) of the KPIDFE Act and such

an application filed beyond the statutory time limit is not maintainable. Further, it is contended that the Society had several borrowers and disputes were pending under Section 70 of the Co-operative Societies Act for realization of the amounts from such borrowers. It is contended that the Competent Authority had seized the documents pertaining to the recovery proceedings and no steps had been taken against the borrowers for recovery of the amounts payable by them. It is contended that the appellant had also filed Writ Petitions seeking directions to the Competent Authority to pursue the execution proceedings for recovery from the borrowers. It is further submitted that in view of the fact that amounts are forthcoming from the borrowers, the proceedings taken against the appellants are premature and the Special Court erred in making those attachments absolute.

6. The learned counsel appearing for the appellant has placed on record a memo dated 23.03.2026 seeking to produce the details of the borrowers and the amounts to be recovered from them by raising of disputes.

7. The learned counsel appearing for the Competent Authority would contend that the appellant had ample opportunity before the Special Court to substantiate the contention that there are amounts outstanding to the Society from its borrowers which were available for disbursing the amounts due to its depositors. It is submitted that it is an admitted fact that the Society had accepted deposits and was unable to repay the depositors in time. It is further submitted that, in case, the appellants had a case that amounts were available for realisation from borrowers, it was for them to have brought the said aspect to the notice of the Special Court. It is submitted that even in these proceedings, no material is on record to show that the appropriate steps had been taken by the Society to make available the amounts due from such borrowers for repayment to the depositors. Apart from making available a list of borrowers and amounts due from them, not even a single Award is produced. No list of hypothecated properties was also produced before the Special Court or even before this Court. Further, it is contended that since it is

undisputed that the appellants were the Directors of the Society, it was for them to have taken the appropriate steps for realization of the amounts due to the Society well within time and the contention that amounts are due from depositors cannot absolve them of their responsibilities to repay the depositors.

8. We have considered the contentions advanced. At the outset, the question with regard to applicability of Section 5 of the Limitation Act to the proceedings under Section 5 of the KPIDFE Act stands answered by judgment of this Court in ***MFA No.380/2025***, disposed of ***on 20.01.2026***. After considering the judgment rendered in respect of identical legislations, this Court has clearly held that there is no indication in the KPIDFE Act that the proceedings under the same are exempt from the ambit of the provisions of the Limitation Act. It was therefore held that the Special Court, being a Court in which such applications are to be filed, is well within its powers to consider applications for condonation of delay. The

contention raised in these appeals on that ground therefore has to fail.

9. Section 3(2) of the KPIDFE Act provides for issuance of an order by publishing in the Official Gazette, attaching the money or property believed to have been acquired by the Financial Establishment in its own name, or in the name of any other person from and out of deposits collected by the Financial Establishment. Where such property is not sufficient for repayment of the deposits, such other property of the Financial Establishment or the personal assets of promoters, partners, or other persons related to the establishment can also be attached. It is clear that what is contemplated under Section 3(2) of the KPIDFE Act is only an order of interim attachment of money or property which is "believed to have been acquired" by the Financial Establishment or the personal assets of its Directors etc. The said provisional attachment can be made absolute only after following the procedure under Section 5 of the KPIDFE Act.

10. Further, Section 5 of the KPIDFE Act contemplates an application to be made by the competent authority under the Act before the Special Court to make the order of attachment, absolute. It also contemplates a consideration of objections by any person having an interest in the property. Section 11 of the KPIDFE Act provides for the powers of the Special Court regarding realisation of assets and payment to depositors. The Special Court under Section 11(2)(f) of the KPIDFE Act has the power to pass any order for realisation of the assets of the Company and repayment to the depositors.

11. Further, Section 12(3) of the KPIDFE Act specifically provides that any person claiming an interest in the property attached or any portion thereof may, notwithstanding that no notice has been served upon him under this Section, make an objection, as aforesaid, to the Special Court at any time before an order is passed under sub-Section (4) or sub-Section (6).

12. Section 19 of the KPIDFE Act reads as follows:-

"19. Act to override other laws.- Save as otherwise provided in this Act, the provisions of this Act shall have effect notwithstanding anything inconsistent therewith contained in any other law for the time being in force or any custom or usage or any instrument having effect by virtue of any such law."

13. It is clear that the KPIDFE Act is an enactment intended to provide for protection of interest of gullible depositors in financial establishments. It is a regulatory and penal statute and has to be construed specifically as such, so that the purpose of the enactment can be given effect to.

14. The further contention raised is with regard to the availability of funds to meet the liabilities of the Society. It is pertinent to note that the Society was unrepresented in Section 5(2) of the KPIDFE Act proceedings and the appellants, who are the erstwhile Directors had raised the contention that disputes have been raised for recovery of the amounts from borrowers.

15. We notice that the materials placed on record before the Special Court as well as those attempted to be

placed before this Court would only indicate that the Society had borrowers and that amounts are due from such borrowers. However, there is absolutely no material produced to show that the Society or its Directors had taken due steps to see that the amounts due from the borrowers were realised for repayment to the depositors. In the absence of any such material, we are of the opinion that the contention that there are borrowers and the amounts must be recovered from them cannot be accepted.

16. In the facts and circumstances of the case, the appeals fail and the same are accordingly ***dismissed***.

Pending interlocutory applications shall stand *disposed of* in all the matters.

**Sd/-
(ANU SIVARAMAN)
JUDGE**

**Sd/-
(TARA VITASTA GANJU)
JUDGE**

cp*