



CNR: KAHC010752412025

NC: 2026:KHC:48705
CRL.P No. 15861 of 2025

IN THE HIGH COURT OF KARNATAKA AT BENGALURU

DATED THIS THE 8TH DAY OF SEPTEMBER, 2026

BEFORE

THE HON'BLE MR. JUSTICE SURAJ GOVINDARAJ

CRIMINAL PETITION NO. 15861 OF 2025

(482(Cr.PC) / 528(BNSS)-)

BETWEEN:

MR S RAMESH
S/O SINGEGOWDA @ KULLEREGOWDA,
AGED ABOUT 50 YEARS,
R/AT PETE BEEDI,
MALAVALLI TOWN ,
MANDYA DISTRICT-571430

...PETITIONER

(BY SMT. KALPANA.P.V.,ADVOCATE)

AND:

1. STATE OF KARNATAKA
BY MALAVALLI TOWN POLICE,
REPT. BY PUBLIC PROSECUTOR
HIGH COURT BUILDING
BANGALORE-560001
2. MR RAVISHANKAR
ASSISTANT SUB-INSPECTOR OF POLICE,
MALAVALLI TOWN POLICE,
MALAVALLI TOWN-571430
MANDYA DISTRICT.

...RESPONDENTS

(BY SRI. RANJITH KUMAR N., HCGP FOR R1)

THIS CRIMINAL PETITION IS FILED U/S 482 CR.P.C (U/S 528 BNSS) PRAYING TO QUASH THE CHARGE SHEET FILED IN CR.NO.91/2016 BY MALAVALLI TOWN POLICE FOR THE OFFENCE PUNISHABLE UNDER SECTION 3 AND 4 OF PRIZE CHIT AND MONEY CIRCULATION SCHEMES BANNING ACT, 1978 AND ETC.

Digitally signed
by SHWETHA
RAGHAVENDRA
Location: HIGH
COURT OF
KARNATAKA



NC: 2026:KHC:48705
CRL.P No. 15861 of 2025

THIS CRIMINAL PETITION, COMING ON FOR ADMISSION, THIS DAY, ORDER WAS MADE THEREIN AS UNDER:

CORAM: HON'BLE MR. JUSTICE SURAJ GOVINDARAJ

ORAL ORDER

1. The petitioner is before this Court seeking for the following reliefs;
 - a. *Quash the charge sheet filed in Crime No.91/2016 by Malavalli Town Police offence punishable under section under section 3 for the and 4 of Prize chit and Money Circulation Schemes Banning Act 1978*
 - b. *Quash the entire proceedings against petitioner in CC No. 1290/2019 filed by the respondents in Crime No.91/2016 for the offence punishable under section under section 3 and 4 of Prize chit and Money Circulation Schemes Banning Act 1978 pending before the 1st Additional Civil Judge and JMFC Malavalli by allowing this petition.*
 - c. *Issue any other order or direction as deem fit on the facts and circumstances of the case.*
2. The complainant-police registered a suo motu case against the petitioner alleging that he was advancing loans to members of the public and collecting interest at exorbitant rates, sometimes at 3%, 4% or 5%. It was alleged that the persons from whom such interest was collected were coolies, poor persons and members of the middle class and that they were being compelled to pay such high interest.



CNR: KAHC010752412025

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CRL.P No. 15861 of 2025

3. During the course of investigation, the police searched the premises of the petitioner and seized certain books relating to Sri Lakshmi Venkateswara Prasanna Chits, containing the names of various persons. On the basis of the material collected during the investigation, Crime No.91 of 2016 was registered against the petitioner for the offences punishable under Section 420 of the Indian Penal Code and Sections 3 and 4 of the Prize Chits and Money Circulation Schemes (Banning) Act, 1978 (hereinafter referred to as "the Prize Chits Act").
4. After completion of the investigation, the police filed the charge-sheet. The offences under Sections 406 and 420 of the Indian Penal Code were not continued and the charge-sheet was filed only for the offences punishable under Sections 3 and 4 of the Prize Chits Act.
5. It is this charge-sheet which is challenged by the petitioner in the present proceedings.
6. Learned counsel for the petitioner submits as follows:
 - 6.1. The charge-sheet does not contain the evidence of any person who allegedly borrowed money from the petitioner, paid exorbitant interest to



CNR: KAHC010752412025

him, or participated in any prize chit or money circulation scheme conducted by him. The only witnesses cited are official witnesses and the witnesses to the mahazar.

- 6.2. It is further submitted that the allegations under Sections 406 and 420 of the Indian Penal Code were not substantiated during the investigation and were consequently dropped while filing the charge-sheet. No person has come forward either to lodge a complaint against the petitioner or to give a statement regarding any transaction with him.
- 6.3. Learned counsel submits that the allegation that the petitioner was lending money at high rates of interest does not, by itself, constitute an offence under Section 3 of the Prize Chits Act. There is no material to show that the petitioner had promoted or conducted a prize chit or money circulation scheme or had enrolled any person as a member of such scheme.
- 6.4. The prosecution relies principally upon the books seized from the premises of the petitioner. However, there is no material



CNR: KAHC010752412025

NC: 2026:KHC:48705
CRL.P No. 15861 of 2025

explaining the entries in those books or establishing that the persons whose names appear therein were enrolled in, or participated in, any scheme prohibited under the Act. There is also no material showing that any money was received or remitted pursuant to such scheme.

6.5. It is therefore submitted that the basic ingredients of the offences alleged against the petitioner are absent and that continuation of the proceedings would amount to an abuse of the process of law.

7. Learned HCGP, on the other hand, submits that

7.1. The jurisdictional police, on receiving information regarding the activities of the petitioner, conducted an investigation in accordance with law. During the investigation, the premises of the petitioner were searched and the relevant books were seized under a mahazar. The mahazar witnesses are stated to be respectable persons, including a social worker and a Grama Panchayat member.

7.2. It is submitted that the books seized during the search provide sufficient material to establish



CNR: KAHC010752412025

that the petitioner was carrying on activities prohibited under Sections 3 and 4 of the Prize Chits Act. It is therefore contended that the matter ought to proceed to trial and that this Court should not interfere after filing of the charge-sheet.

8. Heard learned counsel for the petitioner and learned HCGP appearing for the respondent-police. Perused papers.
9. The record makes one aspect clear. The FIR was initially registered for offences under Sections 406 and 420 of the Indian Penal Code, read with Sections 3 and 4 of the Prize Chits Act. After investigation, the police did not find sufficient material to proceed with the offences under Sections 406 and 420 of the Indian Penal Code and those offences were dropped while filing the charge-sheet. The prosecution is therefore confined to Sections 3 and 4 of the Prize Chits Act.
10. Section 3 of the Prize Chits Act reads as follows:

"3. Banning of prize chits and money circulation schemes or enrolment as members or participation therein.—

No person shall promote or conduct any prize chit or money circulation scheme, or enrol as a member to any such chit or



CNR: KAHC010752412025

NC: 2026:KHC:48705
CRL.P No. 15861 of 2025

scheme, or participate in it otherwise, or receive or remit any money in pursuance of such chit or scheme."

11. The language of Section 3 is clear. The provision prohibits the promotion or conduct of a prize chit or money circulation scheme. It also prohibits enrolment as a member, participation in such scheme, and receipt or remittance of money pursuant to such scheme.
12. Therefore, the prosecution must first place material showing the existence of a prize chit or money circulation scheme and then establish the connection of the accused with one or more of the acts prohibited by Section 3. In the present case, the foundational requirement itself is absent.
13. The original allegation against the petitioner was that he was advancing loans and charging interest at high rates. Such an allegation, even if accepted as stated, does not by itself establish the existence of a prize chit or money circulation scheme within the meaning of the Prize Chits Act.
14. There must be material showing that the lending activity was part of a scheme covered by the Act. No such material is found in the charge-sheet. The



CNR: KAHC010752412025

NC: 2026:KHC:48705
CRL.P No. 15861 of 2025

prosecution relies upon the books seized from the premises of the petitioner. The seizure of the books is not in dispute for the present purpose. But the mere seizure of books cannot establish the offence.

15. The prosecution has not identified any person who was allegedly enrolled as a member of a prize chit or money circulation scheme. It has not produced the statement of any person who participated in such scheme. It has not identified any person who paid or remitted money pursuant to such scheme. It has not placed material showing the nature of the alleged scheme or the manner in which the petitioner promoted or conducted such scheme.
16. In other words, the books have been seized, but the basic facts which would make the contents of those books relevant to the offences alleged have not been established. This distinction is important. A seizure mahazar may establish that certain books were found in the possession or premises of the petitioner. It does not, by itself, establish what the entries in those books mean. It does not establish that the persons named therein were members of a prohibited scheme. It does not establish that the petitioner promoted or conducted such scheme. It



CNR: KAHC010752412025

NC: 2026:KHC:48705
CRL.P No. 15861 of 2025

does not establish that money was received or remitted pursuant to such scheme. The prosecution cannot bridge this gap merely by relying upon the fact of seizure.

17. The absence of any person connected with the alleged scheme is particularly significant in the facts of this case. The investigation has not brought on record even a single person who states that he or she was enrolled in a prize chit or money circulation scheme conducted by the petitioner or that money was paid or received pursuant to such scheme. This is not a case where the prosecution has collected such evidence but its credibility is required to be tested at trial. There is no such evidence at all in the charge-sheet.
18. It is also necessary to distinguish the allegations relating to charging high interest from the offences under the Prize Chits Act. Charging a high rate of interest may give rise to consequences under other laws, depending upon the facts and the applicable statutory provisions. But that allegation, standing alone, does not establish a prize chit or money circulation scheme prohibited under Section 3 of the Prize Chits Act. The prosecution was therefore



CNR: KAHC010752412025

**NC: 2026:KHC:48705
CRL.P No. 15861 of 2025**

required to collect material showing the existence and operation of such a scheme. That has not been done.

19. The fact that Sections 406 and 420 of the Indian Penal Code were dropped does not, by itself, prevent the prosecution from proceeding under the Prize Chits Act. However, once those offences have been dropped, the prosecution must independently establish the ingredients of Sections 3 and 4 of the Prize Chits Act. That independent foundation is absent in the present case.
20. The investigation was required to ascertain the basic facts relating to the alleged scheme. The Investigating Officer ought to have identified the persons whose names appeared in the seized books, ascertained whether they had actually been enrolled or had participated in any scheme, verified the amounts allegedly paid or received, examined the circumstances of such transactions and collected material showing the role played by the petitioner. None of these essential aspects has been established in the charge-sheet.
21. The witnesses to the mahazar may establish the circumstances in which the books were seized. The



CNR: KAHC010752412025

NC: 2026:KHC:48705
CRL.P No. 15861 of 2025

official witnesses may speak to the steps taken by the police during the investigation. But their evidence cannot, by itself, establish the existence of the alleged prize chit or money circulation scheme or the petitioner's participation in activities prohibited by Section 3. The prosecution therefore lacks the necessary factual foundation to proceed against the petitioner.

22. This Court is not, at this stage, required to undertake an appreciation of evidence or determine whether the prosecution would ultimately succeed. The question is more fundamental: whether the material collected during the investigation discloses the ingredients of the offences alleged. In the present case, it does not.
23. Even if the material in the charge-sheet is accepted at its face value, it establishes, at the highest, that certain books relating to Sri Lakshmi Venkateswara Prasanna Chits were found and seized from the premises of the petitioner. That fact, by itself, does not establish that the petitioner promoted or conducted a prize chit or money circulation scheme, enrolled persons as members, participated in such scheme, or received or remitted money pursuant to



CNR: KAHC010752412025

NC: 2026:KHC:48705
CRL.P No. 15861 of 2025

such scheme. The essential link between the seized documents and the statutory offences is completely absent. The prosecution cannot be permitted to proceed on the assumption that the contents of the seized books will, by themselves, establish the offences. The investigation was required to collect the foundational material connecting those documents with the acts prohibited by the Act. That material is not forthcoming. Consequently, the charge-sheet does not disclose the essential ingredients of the offences punishable under Sections 3 and 4 of the Prize Chits Act. The defect is not a mere deficiency in the quality or sufficiency of evidence. It is the absence of the basic material necessary to constitute the alleged offences.

24. In these circumstances, requiring the petitioner to undergo a criminal trial would serve no legitimate purpose. The prosecution cannot be permitted to continue when the charge-sheet itself fails to disclose the factual foundation necessary for the offences alleged.
25. In that view of the matter, this Court passes the following;



CNR: KAHC010752412025

NC: 2026:KHC:48705
CRL.P No. 15861 of 2025

ORDER

- i. The criminal petition is ***allowed***.
- ii. The proceedings in CC No. 1290/2019 filed by the respondents in Crime No.91/2016 for the offence punishable under Sections 3 and 4 of the Prize chit and Money Circulation Schemes (Banning) Act 1978 pending before 1st Additional Civil Judge and JMFC Malavalli, are quashed.
- iii. In view of disposal of the main petition, pending IA's does not survive for consideration. Hence, IA stands disposed of.

**Sd/-
(SURAJ GOVINDARAJ)
JUDGE**

SR
List No.: 1 Sl No.: 62