



2026:DHC:6054-DB



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* **IN THE HIGH COURT OF DELHI AT NEW DELHI**

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Date of Decision : 23.07.2026+ **LPA 217/2023 & CM APPL. 15577/2023****STATE BANK OF INDIA AND ORS**

.....Appellant

Through: Mr. Rajiv Kapur, Standing Counsel
with Mr. Akshit Kapur and Ms. Riya
Sood, Advocates.

versus

SURESH PURI

.....Respondent

Through: Ms. Madhavi Khare and Mr. Apoorva
Bhumesh, Advocates**CORAM:****HON'BLE THE CHIEF JUSTICE****HON'BLE MR. JUSTICE TEJAS KARIA****TEJAS KARIA, J. (ORAL)**

1. The present Letters Patent Appeal assails the Judgment dated 05.01.2023 (“**Impugned Judgment**”) passed by the learned Single Judge in W.P. (C)12042/2018 (“**Writ Petition**”) filed by the Respondent.

FACTUAL BACKGROUND:

2. The Factual matrix leading to the filing of the present Appeal is as under:

- 2.1. The Respondent joined the State Bank of Travancore in 1981. Upon the subsequent merger of the State Bank of Travancore with the State Bank of India, the Respondent became an employee of the Appellant-Bank.



- 2.2. The Appellant-Bank issued a Circular dated 08.04.1986 governing housing loans granted to its employees, which stipulated that a lien be marked on the Provident Fund (“**PF**”) balance as security for such loans.
- 2.3. On 15.10.2007, the Respondent availed a vehicle loan of ₹2,50,000/- (“**Vehicle Loan**”) from the Appellant-Bank.
- 2.4. On 04.08.2008, the Respondent availed an education loan of ₹7,50,000/-, pursuant to an agreement executed between the Respondent’s daughter and the Appellant-Bank (“**Educational Loan**”), repayable in 84 equated monthly instalments (“**EMIs**”) of ₹14,500/- commencing from September 2014. The Educational Loan was secured by a lien on the PF balance.
- 2.5. Thereafter, the Respondent availed a housing loan of ₹20,00,000/- (“**Housing Loan**”) from the Appellant-Bank. The Memorandum dated 17.11.2011 conveying sanction of the Housing Loan stipulated that a lien be marked on the Respondent’s PF balance as security for the Housing Loan.
- 2.6. On 11.09.2015, disciplinary proceedings were initiated against the Respondent on the allegation of unauthorised absence from duty, with a consequential direction for recovery of ₹3,08,589/- towards salary paid for the period from 19.10.2014 to 31.01.2015.
- 2.7. Thereafter, the Appellant-Bank issued two charge-sheets to the Respondent: one pertaining to the alleged unauthorised absence and the other concerning alleged lapses in relation to the Housing Loan availed by the Respondent.



- 2.8. Pursuant to the disciplinary proceedings relating to unauthorised absence, the Disciplinary Authority, *vide* order dated 07.02.2017, imposed the penalty of reduction by one stage in the time scale of pay from 07.02.2017 until the date of retirement.
- 2.9. In the disciplinary proceedings concerning the Housing Loan, the Disciplinary Authority, *vide* order dated 16.03.2017 (“**Censure Order**”), imposed the penalty of ‘*Censure*’ under Regulation 67(a) of the State Bank of Travancore Officers’ Service Regulations, 1979 (“**SBT Regulations**”). The Censure Order further directed the Respondent to commence repayment of the Housing Loan from March 2017 until his retirement and stipulated that the outstanding loan amount as on the date of retirement would be adjusted against his terminal benefits.
- 2.10. On 30.06.2017, the Appellant-Bank declared the account pertaining to the Educational Loan as a Non-Performing Asset (“**NPA**”), with an outstanding amount of ₹9,05,000/- along with interest from the date of classification as NPA.
- 2.11. The Respondent attained the age of superannuation on 30.11.2017. On 22.12.2017, the Respondent’s PF amount was credited to his personal overdraft account (“**OD Account**”), whereupon a lien was marked thereon. Subsequently, on 01.01.2018, the gratuity amount was credited to the Respondent’s pension account (“**Pension Account**”), and a lien was similarly marked thereon.
- 2.12. On 15.02.2018, the account pertaining to the Educational Loan was closed by the Appellant-Bank by appropriating amounts from the Respondent’s terminal benefits.



- 2.13. On 23.02.2018, the accounts pertaining to the Housing Loan and Vehicle Loan were closed by appropriating amounts from the Respondent's terminal benefits.
- 2.14. Aggrieved by the adjustment of his terminal benefits towards the outstanding loan dues, the Respondent instituted the Writ Petition. Although the Respondent had initially challenged the disciplinary penalties imposed upon him in the Writ Petition, the same was not pressed and the prayers were confined to the challenge to the appropriation of his terminal benefits towards the outstanding loan dues as recorded in the order dated 09.12.2021 by the learned Single Judge in the Writ Petition proceedings.
- 2.15. By the Impugned Judgment, the learned Single Judge held that the adjustment of the Respondent's terminal benefits towards the outstanding loan dues was unsustainable. Aggrieved thereby, the Appellant-Bank has preferred the present Appeal.

SUBMISSIONS ON BEHALF OF THE APPELLANT-BANK

3. The learned Counsel for the Appellant-Bank made the following submissions:
- 3.1. The learned Single Judge erred in holding that recovery of the outstanding amounts under the Housing Loan, Vehicle Loan and Educational Loan from the Respondent's terminal benefits was unsustainable, as such adjustment was effected in compliance with the Censure Order.
- 3.2. The Housing Loan was secured by a lien on the Respondent's PF balance. Reliance was placed on the Memorandum dated 17.11.2011 and Clause 3(g) of the Loan Agreement pertaining to



the Housing Loan to contend that the Respondent had expressly acknowledged the Appellant-Bank's right to mark a lien on the PF balance and to appropriate the same towards the outstanding loan amount. It was further submitted that the Respondent, being a Branch Manager, was fully aware that marking of a lien on the PF balance was a condition for sanction of the Housing Loan.

- 3.3. The Educational Loan account had become irregular and was classified as an NPA on 30.06.2017 on account of persistent defaults in repayment, with an outstanding amount of approximately ₹9.05 lakhs along with applicable interest. In any event, the Educational Loan, sanctioned on 04.08.2008, would have ordinarily run its course and stood closed by August 2021 upon payment of the scheduled EMIs.
- 3.4. The Appellant-Bank clarified in its Rejoinder dated 16.09.2023 that the deduction of ₹10,136/- from the Respondent's monthly pension represented recovery towards pension commutation, which had been voluntarily opted for by the Respondent. Pursuant thereto, the commuted value of pension amounting to ₹11,93,210/- was paid and adjusted towards the outstanding loan dues. The State Bank of Travancore Employees' Pension Regulations, 1995 specifically permit recovery of the Appellant-Bank's dues, including housing loans, advances and other recoveries, from the commuted value of pension, pension or family pension. Such adjustment, in fact, enured to the benefit of the Respondent by reducing his liability towards future interest.



3.5. Therefore, the learned Single Judge erred in holding that adjustment of the Respondent's terminal benefits towards the outstanding loan dues was unsustainable, and the Impugned Judgment deserves to be set aside.

SUBMISSIONS ON BEHALF OF RESPONDENT:

4. The learned Counsel for the Respondent made the following submissions:

4.1. The Respondent had been subjected to arbitrary disciplinary proceedings and was ultimately visited with the minor penalty of 'Censure' by way of the Censure Order. Although the Respondent had initially assailed the Censure Order in the Writ Petition, the challenge to the penalty was not pressed. It was, however, contended that the direction contained in the Censure Order requiring adjustment of the outstanding loan dues against the Respondent's terminal benefits was *de hors* Regulation 67 of the SBT Regulations and could not be sustained. Reliance was placed on Regulation 67(d) of the SBT Regulations to submit that recovery can be directed only where pecuniary loss has been caused to the Bank by negligence or breach of orders and, in the absence of any finding of such loss, the direction for adjustment of terminal benefits was untenable.

4.2. Reliance was also placed on ***Gorakhpur University v. Dr. Shitla Prasad Nagendra***, (2001) 6 SCC 591, ***United Bank of India v. Bidyut Baran Halder***, 2018 SCC OnLine Cal 2551, and ***Hira Lal v. State of Bihar***, (2020) 4 SCC 346, to submit that PF, gratuity and pension constitute statutory retiral benefits and cannot be



treated as bounty. Once the said amounts stood credited to the Respondent, no lien could lawfully be exercised thereon, nor could the same be attached, deducted or appropriated towards the outstanding loan dues.

- 4.3. Although the sanction letter pertaining to the Housing Loan stipulated marking of a lien on the PF balance, no corresponding stipulation existed in respect of gratuity. The Appellant-Bank, without issuing any prior notice, marked a lien on the gratuity amount credited to the Pension Account and, thereafter, appropriated the amounts standing to his credit towards closure of the loan accounts, thereby depriving the Respondent of his retiral benefits.
- 4.4. The Housing Loan had been availed for purchase of an under-construction residential unit; the construction whereof was delayed by the builder. Reliance was placed upon the Circular dated 07.01.2012 issued by the Stressed Assets Management Department of the Appellant-Bank to contend that, in cases where construction had come to a standstill, and the builder is enjoying the loan amount already disbursed, the prescribed course for the Appellant-Bank was to proceed against the builder in terms of the tripartite agreement. The Circular dated 10.09.2011 contemplated continuance of the housing loan after superannuation upon fulfilment of the stipulated conditions. Despite the Respondent's willingness to comply with such conditions, the Appellant-Bank closed the Housing Loan by appropriating his terminal benefits.
- 4.5. The Education Loan had been sanctioned for a fixed tenure and was prematurely closed by the Appellant-Bank by appropriating



the amounts from the Respondent's terminal benefits. It was submitted that the repayment schedule stood deferred in view of Clause 1.11 of the Master Circular on Education Loans dated 30.06.2017, as the Respondent's daughter had pursued a post-graduate course.

- 4.6. Clause 1.31 of the said Master Circular specifically provided that no lien ought to be marked against the PF balance of an employee and, in any event, adequate security was already available by way of the personal guarantee furnished by the Respondent's wife.
- 4.7. The Educational Loan and Vehicle Loan were not the subject matter of the disciplinary proceedings. The Appellant-Bank did not issue any notice before closing the accounts pertaining to the Educational Loan and Vehicle Loan by appropriating the amounts from the Respondent's terminal benefits.
- 4.8. The Appellant-Bank's reliance upon the order dated 09.12.2021 passed in the Writ Petition is misconceived. Although the Respondent did not press the challenge to the disciplinary penalty imposed *vide* the Censure Order, the learned Single Judge examined the legality of the consequential direction for adjustment of terminal benefits and rightly held that, while the penalty of 'Censure' did not warrant interference, recovery of the outstanding loan dues from the Respondent's terminal benefits was unsustainable.
- 4.9. In view of the foregoing submissions, the present Appeal deserves to be dismissed.



ANALYSIS AND FINDINGS

5. We have heard the learned counsel for the Parties and perused the material placed on record.

6. During the pendency of the Writ Petition, the Respondent did not press the challenge to the disciplinary proceedings and to the penalties imposed thereunder. The limited question that arises for consideration in the present Appeal is whether the Appellant-Bank was justified in appropriating the Respondent's terminal benefits towards adjustment of the outstanding amounts under the Housing Loan, Educational Loan and Vehicle Loan, and whether the learned Single Judge was correct in holding such recovery to be unsustainable.

7. The principal contention advanced on behalf of the Appellant-Bank was that the adjustment of the outstanding loan dues was effected in compliance with the Censure Order and was further supported by the contractual stipulations governing the loan facilities, particularly the condition requiring marking of a lien on the PF balance. It was submitted on behalf of the Appellant-Bank that the Respondent had voluntarily accepted such conditions and, therefore, is precluded from questioning the recovery effected from his terminal benefits.

8. A perusal of the Censure Order indicates that, while imposing the minor penalty of '*Censure*', the Disciplinary Authority further directed that the Respondent shall repay the Housing Loan from March 2017 until his retirement, and that the outstanding amount as on the date of retirement would be adjusted against his terminal benefits.

9. The learned Single Judge has held that although the penalty of '*Censure*' fell within the ambit of the disciplinary proceedings, the



consequential direction permitting adjustment of the outstanding loan dues from the Respondent's terminal benefits could not be sustained merely on the ground that it formed part of the disciplinary order.

10. Regulation 67 of the SBT Regulations sets out, in exhaustive terms, the penalties that may be imposed in disciplinary proceedings and is reproduced below:

“67. Without prejudice to any other provistons contained in these regulations any one or more of the following penalties may be imposed on any officer, for an act of misconduct or for any other good and sufficient reason:

Minor Penalties

- (a) *Censure*
- (b) *Withholding of increments of pay with or without cumulative effect;*
- (c) *Withholding of promotion,*
- (d) *Recovery from pay or such other amount as may be due to him of the whole or part of any pecuniary loss caused to the bank by negligence or breach of orders.*
- (e) *Reduction to a lower stage in the time scale of pay for a period of not exceeding 3 years, without cumulative effect, and not adversely affecting the officer's pension.*

Major Penalties

- (f) *Save as provided for in (e) above reduction to a lower stage in the time-scale of pay for a specified period, with further directions as to whether or not the officer will earn increments of pay during the period of such reduction and whether on the expiry of such period the reduction will or will not have the effect of postponing the future increments of his pay.*
- (g) *Reduction to a lower grade or post*
- (h) *Compulsory retirement Removal from service*
- (i) *Dismissal.”*

11. Upon a perusal of above Regulation 67 of the SBT Regulations, it is evident that the said provision does not confer any authority upon the Disciplinary Authority, while imposing the penalty of ‘*Censure*’, to direct appropriation of the delinquent officer's terminal benefits towards



liquidation of outstanding loan liabilities. The direction for adjustment of the loan dues, thus, cannot be derived solely from the Censure Order.

12. Any recovery under Regulation 67(d) of the SBT Regulations presupposes pecuniary loss caused to the Bank by negligence or breach of orders. In the present case, there is no finding in the report of the Inquiry Officer that any loss was caused to the Appellant-Bank on account of the misconduct attributed to the Respondent, for which the penalty was imposed.

13. The loan accounts in question were sanctioned for fixed repayment tenures. Therefore, the stipulation relied upon by the Appellant-Bank regarding marking of a lien on the Respondent's PF balance cannot be construed as authorising the Appellant-Bank to prematurely close the loan accounts.

14. The Supreme Court in **Hira Lal** (*supra*) has reiterated that pension and gratuity cannot be withheld, deducted or appropriated except under the authority of law. In the present case, the Appellant-Bank appropriated the gratuity amount credited to the Pension Account towards adjustment of the loan accounts, notwithstanding the absence of any stipulation permitting the marking of a lien on the gratuity amount. Further, the terms governing the loan facilities did not empower the Appellant-Bank to prematurely close the loan accounts merely on account of the Respondent having attained the age of superannuation.

15. The Appellant-Bank has contended that the Educational Loan had been classified as an NPA. However, such classification, by itself, did not confer any authority upon the Appellant-Bank to prematurely adjust the outstanding dues from the Respondent's terminal benefits.



16. The challenge before the learned Single Judge, and consequently in the present Appeal, is confined to the Appellant-Bank's action of appropriating the Respondent's terminal dues towards adjustment of the outstanding loan accounts. The learned Single Judge has, in any event, preserved the Appellant-Bank's liberty to avail such remedies as may be available to it in accordance with law against the Respondent.

17. We, therefore, do not find any merit in the contention advanced on behalf of the Appellant-Bank that, upon the Respondent not pressing the challenge to the disciplinary order, the learned Single Judge was precluded from examining the legality of recovery of the outstanding loan dues from the Respondent's terminal benefits.

18. In view of the Appellant-Bank's lack of authority to appropriate the outstanding loan amounts from the Respondent's terminal benefits, we are in complete agreement with the findings of the learned Single Judge that the adjustment of the Respondent's terminal benefits towards the outstanding loan dues cannot be sustained. The Appellant-Bank has failed to make out any ground warranting interference with the Impugned Judgment. We find no infirmity in the reasoning adopted by the learned Single Judge to warrant interference in the present Appeal.

19. Accordingly, the present Appeal is dismissed. Pending application(s), if any, also stand disposed of. There shall be no order as to costs.

TEJAS KARIA, J

DEVENDRA KUMAR UPADHYAYA, CJ

JULY 23, 2026

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