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* IN THE HIGH COURT OF DELHI AT NEW DELHI

Date of decision: 09th July, 2026Uploaded on: 14th July, 2026

+ W.P.(C) 8999/2026

DELHI UNION CHBS LTD & ORS. Petitioners

Through: Mr. Sandeep Kumar, Adv.

versus

REGISTRAR OF COOPERATIVE SOCIETIES

& ORS. Respondents

Through: Mr. Shashi Pratap Singh, Adv. for R-1
(M. 9560536975)

Mr. Yashpal Chauhan, SQ for RCS.

CORAM:

JUSTICE PRATHIBA M. SINGH

JUSTICE VIKAS MAHAJAN

Prathiba M. Singh, J. (Oral)

1. This hearing has been done through hybrid mode.

CM APPL. 42143/2026 (exemption)

2. Allowed, subject to all just exceptions. Application is disposed of.

W.P.(C) 8999/2026 & CM APPL. 42142/2026 (for stay of order dated 03.07.2026)

3. The present petition has been filed by various members of the present Managing Committee of the Delhi Union CHBS Ltd., Satsang Bhawan, Kapileshwar Mandir, Kapil Vihar, Pitampura, Delhi-110034 (hereinafter, 'Society') under Article 226 of the Constitution of India, *inter alia*, assailing the order dated 28th April 2026 (hereinafter, 'impugned order') passed by the Registrar Cooperative Societies (hereinafter, 'RCS').

4. The impugned order was challenged by the Petitioner before the Id. Financial Commissioner in **Case No. 63/2026**, however, the same was



dismissed *vide* order dated 3rd July, 2026. This order dated 3rd July, 2026 is also under challenge in the present petition.

5. At the outset, considering the order dated 11th May, 2026 passed by a Co-ordinate Bench in ***W.P.(C) 6336/2026*** titled '***Delhi Union CHBS Ltd. & Anr. v. Registrar Cooperative Societies & Ors.***' and the objection that today an Administrator has been appointed for the Society, Petitioner No.1 is deleted from the array of parties.

6. The brief background of the present case is that the RCS had issued a Show Cause Notice dated 23rd August, 2024 in which various issues were raised in respect of the functioning of the Society.

7. A reply was filed to the said Show Cause Notice. This Show Cause Notice culminated into the impugned order dated 28th April, 2026. In the impugned order, the RCS came to the conclusion that there were various violations and non-compliances by the Managing Committee of the Society. Hence, the Managing Committee was superseded and an Administrator *i.e.*, Sh. Ajay Rathee was appointed under Section 37 of the Delhi Co-operative Societies Act, 2003. The operative portion of the said order reads as under:

"It is also pertinent to note that although a Show Cause Notice was issued to the erstwhile Managing Committee, the name of the concerned member has still not been restored in the records of the Society (as per list of members of the society submitted by the petitioner duly signed by the Assistant Registrar, Audit Branch, RCS, copy received through RTI). This clearly demonstrates that the present Managing Committee is also continuing the violation of the order dated 21.02.2024 passed by the Registrar, Cooperative Societies, as well as the directions dated 20.05.2025 issued by the Assistant Registrar.



Further, the Society has failed to comply with the arbitral award whereby the demand raised against Sh. Sushil Kumar Aggarwal was set aside. It is an admitted position that no stay has been granted by the Hon'ble Delhi Cooperative Tribunal. It is a settled proposition of law that mere filing of an appeal does not operate as a stay of the impugned order. Consequently, the Society was under a legal obligation to implement the award, including removal of the member from the defaulter list and permitting his participation in the affairs of the Society. The failure to do so reflects continued and conscious non-compliance of lawful orders.

It has also been observed that the Society has been charging interest at an exorbitant rate, reportedly as high as 365% per annum on delayed payment of maintenance charges, which is in clear violation of Rule 32 of the Delhi Cooperative Societies Rules, 2007. Despite specific directions issued by the Assistant Registrar vide letters dated 20.03.2023 and 22.12.2023, the Society has failed to bring its practices in conformity with the statutory provisions. The justification offered by the Society on the basis of General Body resolutions is unsustainable, as such resolutions cannot override the Act and Rules, which have overriding statutory force.

The Society has further contended that the election of a new Managing Committee on 24.11.2024 renders the present proceedings infructuous. This contention is devoid of merit. Proceedings under Section 37 are initiated against the Managing Committee as an institution and not merely against individual office bearers. A change in composition does not absolve the Committee of its past acts of commission and omission, particularly where continued violations and non-compliance of lawful directions are evident.



Although the Society has preferred an appeal before the Hon'ble Delhi Cooperative Tribunal, no interim relief has been granted in its favour. Accordingly, the Society remains legally bound to comply with the arbitral award as well as the directions issued by the competent authority, which it has failed to do.

Lastly, the subsequent withdrawal of the penalty clause in the General Body Meeting dated 24.08.2025 does not cure the earlier illegality or the continued non-compliance. The violations had already occurred and persisted for a considerable period despite repeated directions from the competent authority.

From the foregoing, it is clearly established that the Managing Committee has willfully acted in contravention of the order dated 21.02.2024 passed under Section 86 of the Delhi Cooperative Societies Act, 2003, and has failed to comply with binding directions issued by the office of the Registrar, Cooperative Societies. It has further not implemented the arbitral award despite the absence of any stay by the competent forum, in disregard of settled legal principles. Additionally, the Managing Committee has violated statutory provisions, particularly Rule 32 of the Delhi Cooperative Societies Rules, 2007, and has continued such violations despite repeated directions from the competent authority.

The cumulative conduct of the Managing Committee thus unequivocally demonstrates persistent default, gross negligence in the discharge of its duties, and a conscious disregard of statutory obligations, thereby squarely attracting the provisions of Section 37 of the Delhi Cooperative Societies Act, 2003.

Accordingly, I Krishna Kumar in exercise of the powers conferred under Section 37 of the Delhi



Cooperative Societies Act, 2003, the Managing Committee of Delhi Union Cooperative House Building Society Ltd. is hereby superseded.

Further, an Administrator Sh. Ajay Rathee is hereby appointed under Section 37 of the Act to manage the affairs of the Society for such period as prescribed under the Act and Rules, or till a newly elected Managing Committee assumes charge, whichever is earlier. The Administrator shall take over charge forthwith, ensure smooth functioning of the Society, safeguard records and assets, and Initiate steps for conduct of elections in accordance with the provisions of the Act, Rules, and Bye-laws.

The Managing Committee and all office bearers are directed to hand over complete charge of records, documents, accounts, assets, and all relevant materials of the Society to the Administrator from the receipt of this order.

This order is issued accordingly.”

8. The impugned order was challenged by way of a writ petition before a Co-ordinate Bench of this Court being **W.P.(C) 6336/2026** wherein vide order dated 11th May, 2026, it was observed as under:

“8. Accordingly, the writ petition is disposed of in the following terms:

(i) The learned FC is requested to take up the appeal, annexed as Annexure B to this writ petition on 19 May 2026, or the stay application filed therewith, tentatively at opening of the Court.

(ii) Till that date, the petitioners are protected from any coercive action on the basis of the order dated 28 April 2026.”

9. Pursuant to the said above order, the Id. Financial Commissioner has now, vide order dated 3rd July, 2026 upheld the order of the RCS. The position



as it stands today is that the Managing Committee of the Society which has a term till November, 2027 stands superseded due to non-compliance of various directions given by the RCS.

10. Mr. Sandeep Kumar, Id. Counsel for the Petitioners relies upon the decision of the Supreme Court in ***State of M.P. and Ors. v. Sanjay Nagayach and Ors.*** MANU/SC/0540/2013 and ***Vijay Mohan & Ors. v. Registrar of Co-operative Societies & Ors., 2025:DHC:7123-DB*** to argue that usually the elected Managing Committee ought not to be superseded and adequate opportunity ought to be given to the Managing Committee to comply with any directions which may be issued by the RCS.

11. Mr. Singh, Id. Counsel appearing for the RCS, on the other hand, submits that in the same judgment of ***Sanjay Nagayach (Supra)*** the Supreme Court has clarified that if the Managing Committee deliberately does not take action in rectifying illegalities of the previous committees within a reasonable time, the RCS is fully empowered to take action.

12. On behalf of the Respondent Nos. 2 and 3, who are some of the complainants who had raised grievances, Id. Counsel submits that despite repeated opportunities, the Managing Committee failed to take any corrective measures.

13. The Court has heard the matter. In ***Sanjay Nagayach (Supra)***, the observations of the Supreme Court are as under:

“35. Further, we are inclined to give the following general directions in view of the mushrooming of cases in various courts challenging orders of supersession of elected Committees:

(1) Supersession of an elected Managing Committee/Board is an exception and be resorted to



only in exceptional circumstances and normally elected body be allowed to complete the term for which it is elected.

(2) Elected Committee in office be not penalised for the shortcomings or illegalities committed by the previous Committee, unless there is any deliberate inaction in rectifying the illegalities committed by the previous Committees.

(3) Elected Committee in office be given sufficient time, say at least six months, to rectify the defects, if any, pointed out in the audit report with regard to incidents which originated when the previous committee was in office.

(4) The Registrar/Joint Registrar are legally obliged to comply with all the statutory formalities, including consultation with the financing banks/controlling banks, etc. Only after getting their view, an opinion be formed as to whether an elected Committee be ousted or not.

(5) The Registrar/Joint Registrar should always bear in mind the consequences of an order of supersession which has the effect of not only ousting the Board out of office, but also to disqualify them for standing for election in the succeeding elections. The Registrar/Joint Registrar therefore is duty-bound to exercise his powers bona fide and not on the dictation or direction of those who are in power.

(6) The Registrar/Joint Registrar shall not act under political pressure or influence and, if they do, be subjected to disciplinary proceedings and be also held personally liable for the cost of the legal proceedings.

(7) Public money is not to be spent by the State Government or the Registrar for unnecessary litigation



involving disputes between various factions in a cooperative society. Taxpayers' money is not expected to be spent for settling those disputes. If found necessary, the same is to be spent from the funds available with the Bank concerned.”

In terms of the above judgement usually the elected Managing Committee of a Society ought not to be superseded. If there are any shortcomings of a previous Managing Committee, the new Managing Committee cannot be penalised, except if there is a deliberate inaction not to rectify the illegalities of the earlier Committee. Further reasonable time ought to be given of at least six months to rectify defects.

14. In ***The Managing Committee of Vallapuzha Service Co-op. Bank Ltd. vs. The Joint Registrar Co-operative Societies, MANU/KE/0480/2009***, the High Court of Kerala has also held as under:

“27. For all the above reasons, I am satisfied that Ext P5 and all proceedings pursuant thereto are unsustainable. Accordingly, the same are quashed and the writ petition is allowed. Before parting with the case, I would like to comment on a very serious malady plaguing the co-operative movement in the State. Over politicization is the bane of the co-operative movement in Kerala. Politics has permeated all aspects of the co-operative sector so badly that the movement itself is slowly dying in the State. Elections to cooperative societies are also fought on political lines and political parties resort to all sorts of legal and illegal methods to win the majority in managing committees of co-operative societies. Once in power, they admit members owing allegiance to their political parties in order to ensure a win for themselves in the next election. If they do not win the majority, as soon as their party comes into power in the State, they resort to every legal and



illegal means to dethrone the other side and wrest power even physically. Every time the political climate in the State changes, there is a spate of litigation against proceedings under Section 32 of the Kerala Co-operative Societies Act in respect of societies under the control of the opposition parties. They make the officers of me co-operative department who has control over the co-operative societies as tools in the process of overthrowing the other side from power. These officers often do their bidding and pass orders as dictated by their political bosses without any respect for natural justice and fair play. Once the managing committees having control thus having been unseated, they appoint persons who do their bidding as administrators and starts a process of wresting control through all sorts of means without respect for democratic values. The process is reversed when the political alliance supporting the opposite side comes into power in the State. In the process, the genuine co-operator is driven out of the scene. Public money is squandered or misappropriated with impunity. When the same is detected, the Secretary is the one who is made a scapegoat. Courts and other quasi-judicial institutions are mere onlookers, since often evidences are manufactured with the help of officers of the department, who are only, too willing to toe the line for their political masters. In the process, societies die a slow death. Good money of the investors are no longer safe in me co-operative Banks. Therefore, I am of opinion that it is high time that co-operative societies are made free from State control and made autonomous bodies like local bodies. Otherwise, instances like the present one would ultimately choke and kill the co-operative movement in the State conclusively and decisively With the solemn hope that wisdom would dawn on the politicians at least now, to save the movement in Kerala. I conclude.”



15. In the present case, the broad allegations against the Managing Committee of the Society are:

- (i) In respect of unreasonable amount of penalty being imposed *qua* maintenance dues against the members of the Society;
- (ii) One of the members was expelled, and despite directions, the membership was not reinstated; and
- (iii) The award dated 29th February, 2024 was not implemented and penal interest was continued to be levied by the Managing Committee.

16. The RCS is the supervisory authority over societies and the managing committees do have an obligation to comply with the directions given by the RCS from time to time.

17. Under Section 37 of the Delhi Co-operative Societies Act, 2003, the RCS has the power to supersede the Managing Committee if there is continuous default or negligence by the Managing Committee. The said power having been exercised in this case was also upheld by the Id. Financial Commissioner. In the opinion of this Court, the elected Managing Committee of the Society ought to have complied with the requisitions of the RCS.

18. The Court having heard the Counsels for the parties today is of the opinion that usually the elected Managing Committee ought not to have been superseded. However, the judgment in *Sanjay Nagayach (Supra)* itself provides exceptions and in the facts of this case, this Court is of the opinion that the elected Managing Committee of the Society ought to agree to comply with the directions of the RCS and also comply with the same within a



reasonable time.

19. Accordingly, let three members of the present elected Managing Committee appear before the RCS on **16th July, 2026** at **03.00 PM**, and the RCS shall list out the compliances to be undertaken by the Managing Committee. Reasonable time of 30 days shall be granted to the Managing Committee to take the remedial action with cooperation of the Administrator, who is presently been appointed by the RCS.

20. Upon the compliances being undertaken within one month thereafter, the RCS after recording satisfaction shall pass appropriate orders for restoration of the Managing Committee in accordance with law.

21. If the members of the Managing Committee in co-operation with the Administrator fail to render the compliance, the impugned order shall stand.

22. The Administrator shall render full co-operation to the members of the Managing Committee of the Society for compliance with the RCS.

23. The petition along with pending applications is disposed of in the above terms.

PRATHIBA M. SINGH
JUDGE

VIKAS MAHAJAN
JUDGE

JULY 9, 2026
nsa/Ck