

IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED: 18.11.2016

CORAM:

THE HONOURABLE MR.JUSTICE S.MANIKUMAR

and

THE HONOURABLE MR.JUSTICE N.AUTHINATHAN

Writ Petition No.40472 of 2016

and WMP No.34524 of 2016

Mrs.Kannammal

.... Petitioner

vs.

1. Presiding Officer,
The Debts Recovery Tribunal,
Coimbatore.

2. The Authorised Officer,
Punjab National Bank,
Bo Agmo Tirupur,
No.50, Sabari Street,
Binny Compound,
Tirupur - 641 601

3. MC Knitting Mills.
Rep. by its Partner.

.... Respondents

Writ Petition filed under Article 226 of the Constitution of India, to issue a Writ of certiorarified Mandamus, calling for the records of the 1st respondent in its proceedings leading to passing of the common order dt.19.10.2016 in IA.No.1771 of 2016 in SA No.212 of 2016 and I.A.No.1777 of 2016, quash the same and direct the 2nd respondent to sell the primary security in a fair and transparent manner before selling the collateral properties mortgaged by the petition and petitioners family members.

For Petitioner : Mr.S.Sathiyarayanan

ORDER

(Order of the Court was made by **S.MANIKUMAR, J.**)

Common order in I.A.No.1777 of 2016 in S.A.No.213 of 2016 and 1771 of 2016 in S.A.No.212 of 2016 dated 19.10.2016 of the Debts Recovery Tribunal, Coimbatore, is impugned, on the grounds inter alia that the petitioner is a guarantor to the loan obtained by

M/s.MC Knitting Mills, Tiruppur, consisting of two partners viz., Mr.Bharath and Mrs.Dhanalakshmi. The mill is engaged, in the process of manufacturing knitting fabrics and the Mill is located in a extent of 9.14 acres, in Kolappalur, Gobi Taluk. As guarantor, the petitioner has mortgaged the following properties, as Collateral security:

a. Land & Building at Cavery Street, Tirupur in the name of C.Subramaniam;

b. Land & Building at Cavery Street, Tirupur in the name of Mrs.S.Kannammal;

c. Land at Kaniyur Village, Karumathampatti, Sulur Taluk belonging to Mrs.S.Kannammal.

d. Land (13.25 cents) at Kaniyur Village, Karumathampatti, Sulur Taluk being agricultural land belonging to C.Subramaniam;

e. Land and building at Koramangala, Bangalore belonging to Mrs.S.Kannammal;

2. The authorised Officer, Punjab National Bank, Tirupur, the 2nd respondent herein, issued a demand notice on 16.04.2015, claiming a sum of Rs.12,33,50,190.50p under section 13(2) of the SARFAESI Act, 2002. As a guarantor, the petitioner made a representation in person, explaining the condition of the borrower and also submitted that the outstanding amount claimed by the 2nd respondent bank is not correctly stated in the demand notice. However, possession notice under Section 13(4) of the SARFAESI Act dated 03.07.2015 has been issued by the 2nd respondent Bank.

3. Apart from the collateral security offered by the guarantors, the primary security of the borrower viz., factory located in an area of 9.14 acres with 50,000 sq.ft building constructed thereon is worth about Rs.14 Crores. The borrower has come forward to sell the secured asset by way of private treaty to third party, with the concurrence of respondent bank, but the same was not accepted. While the matter stood thus, the 2nd respondent bank, has taken steps to sell the guarantor's property, at a throw away value. Being aggrieved by the same, the borrower filed S.A.No.145 of 2015 before the Debts Recovery Tribunal, Coimbatore to grant stay of sale of the residential property situated at Cauvery Street, Tirupur, subject matter of sale in S.A.No.212 of 2016 and S.A.No.213 of 2016.

4. On 27.11.2015, the tribunal granted an ad-interim injunction against the respondent bank not to proceed with Lot Nos.1 and 2 mentioned in the sale notice. Liberty was given to the respondent bank to proceed with the proposed sale, as regards Lot No.3, mentioned in the sale notice. As there was no bidder, on 30.11.2015, auction of the sale of factory premises did not take place. The

borrower and guarantor approached the bank seeking permission to sell the factory premises under private treaty and also to enhance the value of the property. Without accepting the said request, the Bank proceeded with the e-auction notice for the 2nd time and that therefore, the borrower was constrained to file I.A.No.338 of 2016 in S.A.No.145 of 2015 for stay of e-auction sale notice.

5. The writ petitioner has contended that

(a) there was difference of opinion between the partners.

(b) the respondent bank has charged exorbitant interest and penal interest, which are not in consonance with the guidelines issued by the Reserve Bank of India.

(c) the respondent bank can very well recover the receivable of Rs.8.00 crores from one of the partners, Mrs.Dhanalakshmi's husband Mr.Duraisamy, which will enable the respondent bank from easily realising the dues without causing loss to the guarantors.

(d) the respondent bank has violated the Security Interest Enforcement Rules, in not properly valuing the mortgaged property of the Borrower, which is the prime security and the attitude shows the respondent bank's prime aim has turned away from recovery of money due to them, to sell the petitioners and petitioner's family members valuable properties.

(e) the respondent had gone for excessive execution of violating the settled preposition of law laid down by the Hon'ble Supreme Court, in the case of recovery of money.

(f) The sale of the property / proposal to sale (sale not yet confirmed) to the company promoted a couple of months back for this purpose and owned by the son in law of the partner Mrs.Dhanalakshmi, under an unreasonable and coercive conditions, allowing the Partner Mrs.Dhanalakshmi and their family to hold illegal possession, and for a throw away price of Rs.8.69 crores, to the other partner Mrs.Dhanalakshmi, is arbitrary and violation of natural justice, when the guideline value is around Rs.22 crores, even for the land portion.

(g) it is the responsibility of the respondent bank to act with fairness, transparent manner and also to get the maximum benefit out of the same of the secured asset.

(h) DRT, Coimbatore ought to have considered the fact that the factory premises alone is more than sufficient to execute the borrower's liability. Being well aware of this fact, the respondent bank has arbitrarily and discriminatingly sold the premises to the other partner, for an unacceptably low price, which is yet to be confirmed.

(i) DRT, Coimbatore, has failed to note that while the respondent Bank has the option of realizing the due amount from the

partners of the Borrower who owe their debt to the Borrower, the respondent bank's act of wantonly selling the property shows abuse of its powers vested under the SARFAESI Act and Rules.

(j) DRT, Coimbatore, has failed to note that the respondent bank has colluded with the other partner (Mrs.Dhanalakshmi) and acted with a malafide intention to dispossess the petitioner, and her family members of their property due to an earlier enmity.

(k) the respondent bank has failed to act, in a proper manner in realizing its dues as laid down by the Hon'ble Supreme Court in Ram Kishun & Others Vs. State of UP & Others wherein it is held that "public money should be recovered and recovery should be made expeditiously. But it does not mean that the Financial Institutions which are concerned only with the recovery of their loans, may be permitted to behave like property dealers and be permitted further to dispose off the secured assets in any unreasonable or arbitrary manner.

(l) DRT, Coimbatore ought to have held the action of the respondent bank amounts to arbitrariness, bias, discrimination, and violation of natural justice.

(m) the entire proceeding being pursued by the respondent is illegal, unjust, not in accordance with applicable law including the Security Interest (Enforcement) Rules, 2002 and totally arbitrary, and unsustainable both in law and on facts.

(n) action of the respondent bank amounts to infringement of the right to property granted by under Article 300-A of the Indian Constitution."

6. Heard the learned counsel for the petitioner and perused the materials available on record.

7. At the outset, this Court deems it fit to consider as to whether a writ petition is maintainable as against the challenge to a sale notice and the orders passed thereon, on the grounds raised, when there is an alternative remedy provided in the Act. Repeatedly, the Hon'ble Supreme Court has held that when there is an efficacious and alternate remedy under the provisions of the Recovery of Debts Due to Banks and Financial Institutions Act or the Securitisation And Reconstructions of Financial Assets Act, 2002, a writ petition is not maintainable. We deem it fit to consider the following decisions.

(i) In **Precision Fastenings v. State Bank of Mysore**, reported in **2010(2) LW 86**, this Court held as follows:

"This Court has repeatedly held in a number of decisions right from the decision in *Division Electronics Ltd. v. Indian Bank* (DB) Markandey Katju, C.J., (2005 (3) C.T.C., 513), that the remedy of the aggrieved party as against the notice

issued under Section 13(4) of SARFAESI Act is to approach the appropriate Tribunal and the writ petition is not maintainable. The same position has been succinctly stated by the Hon'ble the Supreme Court in *Transcore v. Union Of India* (2006 (5) C.T.C. 753) in paragraph No. 26 wherein the Supreme Court has held as under:-

"The Tribunal under the DRT Act is also the Tribunal under the NPA Act. Under Section 19 of the DRT Act read with Rule 7 of the Debts Recovery Tribunal (Procedure) Rules, 1993 (1993 Rules), the applicant bank or FI has to pay fees for filing such application to DRT under the DRT Act and, similarly, a borrower, aggrieved by an action under Section 13(4) of NPA Act was entitled to prefer an Application to the DRT under Section 17 of NPA." (Emphasis added) "

(ii) In **Union Bank of India v. Satyawati Tondon**, reported in **2010 (5) LW 193**, at Paragraphs 16 to 18 and 27 to 29, held as follows:

"16. The facts of the present case show that even after receipt of notices under Section 13(2) and (4) and order passed under Section 14 of the SARFAESI Act, respondent Nos. 1 and 2 did not bother to pay the outstanding dues. Only a paltry amount of Rs. 50,000/- was paid by respondent No. 1 on 29.10.2007. She did give an undertaking to pay the balance amount in installments but did not honour her commitment. Therefore, the action taken by the appellant for recovery of its dues by issuing notices under Section 13(2) and 13(4) and by filing an application under Section 14 cannot be faulted on any legally permissible ground and, in our view, the Division Bench of the High Court committed serious error by entertaining the writ petition of respondent No. 1.

17. There is another reason why the impugned order should be set aside. If respondent No. 1 had any tangible grievance against the notice issued under Section 13(4) or action taken under Section 14, then she could have availed remedy by filing an application under Section 17(1). The expression 'any person' used in Section 17(1) is of wide import. It takes within its fold, not only the borrower but also guarantor or any other person who may be affected by the action taken under Section 13(4) or Section 14. Both, the Tribunal and the Appellate Tribunal are empowered to pass interim orders under Sections 17 and 18 and are required to decide the matters within a fixed time schedule. It is thus evident that the

remedies available to an aggrieved person under the SARFAESI Act are both expeditious and effective. Unfortunately, the High Court overlooked the settled law that the High Court will ordinarily not entertain a petition under Article 226 of the Constitution if an effective remedy is available to the aggrieved person and that this rule applies with greater rigour in matters involving recovery of taxes, cess, fees, other types of public money and the dues of banks and other financial institutions. In our view, while dealing with the petitions involving challenge to the action taken for recovery of the public dues, etc., the High Court must keep in mind that the legislations enacted by Parliament and State Legislatures for recovery of such dues are code unto themselves inasmuch as they not only contain comprehensive procedure for recovery of the dues but also envisage constitution of quasi judicial bodies for redressal of the grievance of any aggrieved person. Therefore, in all such cases, High Court must insist that before availing remedy under Article 226 of the Constitution, a person must exhaust the remedies available under the relevant statute.

18. While expressing the aforesaid view, we are conscious that the powers conferred upon the High Court under Article 226 of the Constitution to issue to any person or authority, including in appropriate cases, any Government, directions, orders or writs including the five prerogative writs for the enforcement of any of the rights conferred by Part III or for any other purpose are very wide and there is no express limitation on exercise of that power but, at the same time, we cannot be oblivious of the rules of self-imposed restraint evolved by this Court, which every High Court is bound to keep in view while exercising power under Article 226 of the Constitution. It is true that the rule of exhaustion of alternative remedy is a rule of discretion and not one of compulsion, but it is difficult to fathom any reason why the High Court should entertain a petition filed under Article 226 of the Constitution and pass interim order ignoring the fact that the petitioner can avail effective alternative remedy by filing application, appeal, revision, etc. and the particular legislation contains a detailed mechanism for re-dressal of his grievance. It must be remembered that stay of an action initiated by the State and/or its agencies/instrumentalities for recovery of taxes, cess, fees, etc. seriously impedes execution of projects of public importance and disables them from discharging their constitutional and legal obligations towards the citizens. In cases relating to recovery of the dues of banks, financial

institutions and secured creditors, stay granted by the High Court would have serious adverse impact on the financial health of such bodies/institutions, which ultimately prove detrimental to the economy of the nation. Therefore, the High Court should be extremely careful and circumspect in exercising its discretion to grant stay in such matters. Of course, if the petitioner is able to show that its case falls within any of the exceptions carved out in *Baburam Prakash Chandra Maheshwari v. Antarim Zila Parishad* AIR 1969 SC 556, *Whirlpool Corporation v. Registrar of Trade Marks, Mumbai* (1998) 8 SCC 1=1999-2-L.W. 200 and *Harbanslal Sahnia and another v. Indian Oil Corporation Ltd. and others* (2003) 2 SCC 107 and some other judgments, then the High Court may, after considering all the relevant parameters and public interest, pass appropriate interim order.

27. It is a matter of serious concern that despite repeated pronouncement of this Court, the High Courts continue to ignore the availability of statutory remedies under the DRT Act and SARFAESI Act and exercise jurisdiction under Article 226 for passing orders which have serious adverse impact on the right of banks and other financial institutions to recover their dues. We hope and trust that in future the High Courts will exercise their discretion in such matters with greater caution, care and circumspection.

28. Insofar as this case is concerned, we are convinced that the High Court was not at all justified in injuncting the appellant from taking action in furtherance of notice issued under Section 13(4) of the Act.

29. In the result, the appeal is allowed and the impugned order is set aside. Since the respondent has not appeared to contest the appeal, the costs are made easy."

(iii) In **Saraspathy Sundararaj v. Authorised Officer and Assistant General Manager, State Bank of India**, reported in (2010) 5 LW 560, at Paragraphs 1, 5 to 7, 9 and 13, held as follows:

"The petitioner has filed this writ petition praying for a Writ of Certiorarified Mandamus calling for the records relating to the possession notice dated 16.09.2004 issued by the respondent under the SARFAESI Act and consequently direct the respondent to effect the settlement in accordance with the SBI OTS-SME 2010 Scheme as contained in its letter dated 18.03.2010 and unconditionally restore physical possession of the six rooms taken physical possession

by it at No. 29, Sarojini Street, T. Nagar, Chennai - 17 with such damages.

5. At the outset, it is a clear case where the petitioner has come to this Court challenging the possession notice dated 16.09.2004 after a period of six years. The possession notice under Section 13(4) of the SARFAESI Act was issued on 16.09.2004 for which the petitioner has not sent any objection or reply. The possession notice was also published in the newspaper on the same day. Even thereafter, the petitioner has not come forward to make any payment. On 28.09.2004, the petitioner sent a letter requesting the respondent for accepting Rs. 30 lakhs towards full and final settlement, but that was negatived by the bank on 09.10.2004. Thereafter, by letter dated 22.02.2005, she increased the offer to Rs. 35 lakhs, which was also declined by the bank on 01.03.2005. The petitioner further increased the offer to Rs. 36 lakhs by her letter dated 01.03.2005 which was not accepted by the bank. The offer was further increased by the petitioner to Rs. 40 lakhs and thereafter she also deposited Rs. 20 lakhs over a period of time from 12.03.2005 to 23.09.2005 for a period of six months in a no lien account. Thereafter, by letter dated 26.06.2006, the petitioner increased the offer to pay Rs. 43 lakhs in full quit but it was not accepted by the bank. On 04.07.2006, the bank directed the petitioner to increase the offer and immediately she increased it to Rs. 45 lakhs and also offered to close the debt with C.I.T. Nagar Branch and close the personal loan accounts on 09.10.2006. Finally, after a period of one year, on 20.03.2007, she agreed to pay Rs. 44 lakhs towards all the accounts. This was also ultimately rejected by the bank on 27.09.2007 and directed to make arrangement to liquidate the dues without any further loss of time. The bank also sent a telegram on 22.11.2007 directing the petitioner to close all the accounts. The petitioner has not challenged the orders of rejection of her proposal to pay or deposit the amount in one lumpsum before the competent forum namely Debts Recovery Tribunal. After a period of three years, now the petitioner has taken up the whole issue on the basis of a communication dated 18.03.2010 received from the respondents intimating her about the one time settlement offer introduced by the bank. Even for this, the petitioner would contend that she is willing to take up the offer, but she has not paid any amount towards the scheme, but only sent a letter stating that she is ready to deposit the amount provided all the loan should be closed and documents released to her. At this point of time, when the bank came to the

knowledge regarding the sale of the secured assets by the petitioner to her son and created encumbrance, the bank declined to extend the benefits of one time settlement to the petitioner. In the counter, it was brought to the notice of this Court regarding clause 1.7 of the one time settlement scheme introduced by the bank wherein it was stated that fraud, malfeasance and willful default committed by the borrower are not not be eligible for OTS Scheme.

6. It is categorically brought out by the bank that pending the SARFAESI proceedings initiated by the bank, the petitioner, in order to deprive the right of the bank to recover the amount, has clandestinely transferred the secured assets in favour of her son and in that event, the bank has got every right to decline to extend the benefits of One time settlement scheme to the petitioner. Further, the possession notice sent to the petitioner way back in the year 2004, remains unchallenged by her till 2010 by approaching the competent Forum namely Debts Recovery Tribunal. When a specific forum has been created which enables the borrower to challenge the action of the financial institution by filing necessary petition under Section 17, the petitioner is not entitled to invoke the writ jurisdiction of this Court. What could not be achieved by the petitioner by filing a petition before the appropriate Forum, which is at present barred by period of limitation, could not be permitted to be achieved by extending the jurisdiction conferred to this Court under Article 226 of The Constitution of India. Above all, since the petitioner has violated the terms and conditions of the loan by transferring the property in favour of her son, this Court is not inclined to entertain the petition.

7. In this connection, we are fortified by the decision of the Honourable Supreme Court reported in (*United Bank of India v. Satyawati Tondon and others*) III (2010) BC 495 (SC) = 2010-5-L.W. 193, wherein in para Nos. 17 and 18, it was held thus:-

"17. ...Both, the Tribunal and the Appellate Tribunal are empowered to pass interim orders under Sections 17 and 18 and are required to decide the matters within a fixed time schedule. It is thus evident that the remedies available to an aggrieved person under the SARFAESI Act are both expeditious and effective. Unfortunately, the High Court overlooked the settled law that the High Court will ordinarily not entertain a petition under Article 226 of the Constitution if an effective remedy is available to the aggrieved person and that this rule

applies with greater rigour in matters involving recovery of taxes, cess, fees, other types of public money and the dues of banks and other financial institutions. In our view, while dealing with the petitions involving challenge to the action taken for recovery of the public dues, etc., the High Court must keep in mind that the legislations enacted by Parliament and State Legislatures for recovery of such dues are code unto themselves inasmuch as they not only contain comprehensive procedure for recovery of the dues but also envisage constitution of quasi judicial bodies for redressal of the grievance of any aggrieved person. Therefore, in all such cases, High Court must insist that before availing remedy under Article 226 of the Constitution, a person must exhaust the remedies available under the relevant statute.

18. While expressing the aforesaid view, we are conscious that the powers conferred upon the High Court under Article 226 of the Constitution to issue to any person or authority, including in appropriate cases, any Government directions, orders or writs including the five prerogative writs for the enforcement of any of the rights conferred by Part III or for any other purpose are very wide and there is no express limitation on exercise of that power but, at the same time, we cannot be oblivious of the rules of self-imposed restraint evolved by this Court, which every High Court is bound to keep in view while exercising power under Article 226 of the Constitution. It is true that the rule of exhaustion of alternative remedy is a rule of discretion and not one of compulsion, but it is difficult to fathom any reason why the High Court should entertain a petition filed under Article 226 of the Constitution and pass interim order ignoring the fact that the petitioner can avail effective alternative remedy by filing application, appeal, revision, etc. and the particular legislation contains a detailed mechanism for redressal of his grievance. It must be remembered that stay of an action initiated by the State and/or its agencies/instrumentalities for recovery of taxes, cess, fees, etc. seriously impedes execution of projects of public importance and disables them from discharging their constitutional and legal obligations towards the citizens. In cases relating to recovery of the dues of banks, financial institutions and secured creditors, stay granted by the High Court would have serious adverse impact on the financial health of such bodies/institutions, which ultimately prove detrimental to the economy of the nation. Therefore, the High Court should be extremely careful and circumspect in exercising its

discretion to grant stay in such matters. Of course, if the petitioner is able to show that its case falls within any of the exceptions carved out in *Baburam Prakash Chandra Maheshwari v. Antarim Zila Parishad* AIR 1969 SC 556, *Whirlpool Corporation v. Registrar of Trade Marks, Mumbai* (1998) 8 SCC 1 and *Harbanslal Sahnia and another v. Indian Oil Corporation Ltd. and others* (2003) 2 SCC 107 and some other judgments, then the High Court may, after considering all the relevant parameters and public interest, pass appropriate interim order, (underlining added).

9. In the light of the above decision of the Honourable Supreme Court, the writ petition filed by the petitioner seeking to set aside the possession notice issued to her long back is legally not sustainable. We are of the considered view that this petition has been filed only to drag on the proceedings and to evade repayment of the loan. That be so, the petitioner has no legal right to compel the bank to accept the one time settlement offer made by her.

13. The present case is identical in nature and it is covered by the judgment of the Supreme Court mentioned supra. In this case, the petitioner has violated the condition of mortgage by transferring the secured asset in favour of her son and therefore, as per clause 1.7 of the OTS Scheme offered by the bank, the petitioner has to be excluded from extending the benefits of the scheme which was rightly done by the bank. In any event, without exhausting the alternative remedy, the relief sought for by the petitioner by invoking the discretionary remedy under Article 226 of The Constitution of India cannot be granted."

iv) In **Simon's Foot Wear Pvt. Ltd. v. Indian Bank**, reported in (2015) 2 MLJ 166, a Hon'ble Division Bench of this court held as follows:

"9.As against the confirmation of sale and issuance of the sale certificate, the writ petitioners did have their remedy of filing an appeal under Section 18 of the SARFAESI Act before the Debts Recovery Appellate Tribunal. The appeal remedy is an effective and efficacious remedy. When such an effective and efficacious remedy is available, this court will decline exercise of its extraordinary jurisdiction under Article 226 of the Constitution of India.

10.So far as the challenge made to the order dated 24.06.2013 is concerned, since an appeal remedy is available the writ petitioners ought to have exhausted the appeal remedy before approaching this Court with this writ petition."

8. In the light of the above decisions, we are not inclined to entertain the present writ petition. It is always open to the writ petitioner to raise all the contentions now raised in this writ petition, before the DRAT, which is competent to decide all the issues. Contentions regarding the bonafide of the petitioner in discharging the contractual obligations can also be raised before the DRAT. Hence, the writ petition is dismissed. No costs. Consequently the connected Miscellaneous Petition is closed.

9. Registry is directed to return the original order impugned in this writ petition, to the petitioner after taking an attested copy of the same from the learned counsel for the petitioner, so as to enable the petitioner to move the forum.

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Sd/-
Assistant Registrar (CS-)

/TRUE COPY/

Sub-Assistant Registrar

To

1. The Presiding Officer,
The Debts Recovery Tribunal,
Coimbatore.

2. The Authorised Officer,
Punjab National Bank,
Bo Agmo Tirupur,
No.50, Sabari Street,
Binny Compound,
Tirupur - 641 601

+1 CC Mr.S.Sathiyarayanan Advocate SR.No.66941

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