



W.P.No.17839 of 2021

IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED : 28.06.2024

CORAM:

THE HONOURABLE MR. JUSTICE **G.K.ILANTHIRAIYAN**

W.P.No.17839 of 2021
and W.M.P.No.19051 of 2021

M/s Rosvar Steels Private Limited
represented by its Chairman,
R.Ravichandran,
#66/3B, Kuppepalayam (P.O),
Ganeshpuram, S.S.Kulam (via),
Coimbatore – 641107.

...Petitioner

-Vs-

1. Indian Overseas Bank,
represented by its Chief Regional Manager,
Anjappa Road Branch,
Coimbatore.

2. Central Bureau of Investigation,
Economic Offence Wing,
Rajaji Bhavan Complex, 3rd Ave,
Tiruvalluvar Nagar, Besant Nagar,
Chennai, Tamil Nadu 600090.

3. Reserve Bank of India,
represented by its Regional Director,
Reserve Bank of India,
Fort Glacis,
16, Rajaji Salai, Chennai – 600 001.

...Respondents



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Prayer : Writ Petition filed under Article 226 of Constitution of India praying for the issuance of a Writ of Certiorari, calling for the records of the third respondent culminated in master Circular RBI/ DBS/ 2016-17/ 28 DBS.CO.CFMC.BC.NO.1/23.04.001/ 2016-17 dated July 01, 2016 (updated as on July 03, 2017) issued by the third respondent under Section 35 A of the Banking Regulation Act, 1949 and to quash the same and consequently to remove the fraud report filed against the petitioner by the first Respondent based on the impugned master circular.

For Petitioner : M/s M.Shree Vishwanthini

For R1 : Mrs.S.Ananda Gomathy

For R2 : Mr.K.Srinivasan, Senior Counsel
Special Public Prosecutor for CBI Cases

For R3 : Mr.C.Mohan
for M/s King and Partridge

ORDER

This Writ Petition has been filed for the issuance of a Writ of Certiorari, calling for the records of the third respondent culminated in master Circular RBI/ DBS/ 2016-17/ 28 DBS.CO.CFMC.BC.NO.1/23.04.001/ 2016-17 dated July 01, 2016 (updated as on July 03, 2017) issued by the third respondent under Section 35 A of the Banking Regulation Act, 1949 and to quash the same and consequently to remove the fraud report filed against the petitioner by



the first Respondent based on the impugned master circular.

2. Heard the learned counsel on either side and perused the materials available on record.

3. The learned counsel for the third respondent submitted that already the circular impugned in this writ petition has been upheld by the Hon'ble Supreme Court of India in the case of ***State Bank of India and others Vs Rajesh Agarwal and others*** reported in ***2023 6 SCC 1***, wherein it was held as follows:-

“ 95. In light of the legal position noted above, we hold that the rule of audi alteram partem ought to be read in Clauses 8.9.4 and 8.9.5 of the Master Directions on Fraud. Consistent with the principles of natural justice, the lender banks should provide an opportunity to a borrower by furnishing a copy of the audit reports and allow the borrower a reasonable opportunity to submit a representation before classifying the account as fraud. A reasoned order has to be issued on the objections addressed by the borrower. On perusal of the facts, it is indubitable that the lender banks did not provide an opportunity of hearing to the borrowers before classifying their accounts as fraud. Therefore, the impugned decision to classify the borrower account as fraud is vitiated by the failure to observe the rule of audi alteram partem. In



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the present batch of appeals, this Court passed an ad interim order restraining the lender banks from taking any precipitate action against the borrowers for the time being. In pursuance of out aforesaid reasoning, we hold that the decision by the lender banks to classify the borrower accounts as fraud, is violative of the principles of natural justice. The banks would be at liberty to take fresh steps in accordance with this decision.”

4. In view of the above, the writ petition is devoid of merits and is liable to be dismissed. Accordingly, this writ petition stands dismissed. Consequently, connected Miscellaneous petition is closed. No costs.

28.06.2024

Internet: Yes
Index : Yes/No
Neutral Citation: Yes/No
Speaking/Non Speaking order
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To

1. The Chief Regional Manager,
Indian Overseas Bank,
Anjappa Road Branch,
Coimbatore.
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Economic Offence Wing,
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G.K.ILANTHIRAIYAN. J.

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