IN THE HIGH COURT OF PUNJAB AND HARYANA
244 AT CHANDIGARH

CWP-26083 of 2021
Date of decision : July 31, 2024

State Bank of India

...... Petitioner

Versus

Harmohan Paul Singh and others

...... Respondents

CORAM : HON'BLE MR. JUSTICE VINOD S. BHARDWAJ

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Present :-Mr. Amit Bhanot, Advocate
for the petitioner.

Mr. Jagjot Singh, Advocate for
Mr. Kunal Dawar, Advocate
for respondent No.1.

Ms. Manjari Joshi, Advocate
for respondent No.2.

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VINOD S. BHARDWAJ, J (Oral)

1. The challenge in the present petition is to the award dated 29.07.2021 passed by Permanent Lok Adalat (PUS) Rupnagar whereby the application under Section 22-C of the Legal Services Authorities Act, 1987 filed by respondent No.1 has been allowed and the petitioner bank has been directed to pay interest for a period of 35 days @ 12% per annum for the delayed release of the mutual funds.

3. Learned counsel for the petitioner contends that respondent No.1 had invested in mutual funds operated by the State Bank of India Mutual Funds Management Private Ltd against file No.18384787 in the month of September, 2017. The said investment was for a period of three years and the maturity amount thereof was to be released in favour of the

petitioner. On the expiry of the period, a message was sent by the respondent No.2-SBI Mutual Funds calling upon the respondent No.1-applicant to furnish KYC requirements so that the amount could be credited to his account. It is submitted that even though the payment in question was due on 06.10.2020, however, without complying with the said requirement of KYC, the above said application was filed before the Permanent Lok Adalat on 22.10.2020 itself. He contends that the description of respondent No.2 was wrongly mentioned in the application filed before Permanent Lok Adalat as there is no such Director, Mutual Funds in Sector 68, Chandigarh Branch and that the entity of State Bank of India Mutual Funds Management Private Ltd. is distinct and separate. He thus, contends that the petitioner-State Bank of India was in any case not liable. Neither the investment had been made with the State Bank of India nor there was any obligation on the part of the petitioner-Bank to make such payment. Notwithstanding the same the petitioner-Bank had been made liable to pay interest for the delayed payment. In lieu thereof the present petition has been filed.

4. A separate reply on behalf of respondent No.1 had been filed wherein the award passed by the Permanent Lok Adalat (PUS) Rupnagar was defended. The factual aspect, however was not disputed. It was however, submitted that as the petitioner-Bank was made a party, the Director, Mutual Fund Sector 68, Chandigarh was also impleaded as a respondent since both are one entity.

5. A separate reply has been filed by respondent No.2 SBI Funds Management Ltd. wherein it has raised various objections including an objection with respect to having not been impleaded in the proceedings

under Section 22-C of the Legal Services Authorities Act, 1987 before the Permanent Lok Adalat. It is stated on merits that the petitioner had invested in SBI Dual Advantage Funds Sr. XXIV which matured on 06.10.2020. As the KYC documents had not been furnished, hence now the payment could not be released in favour of the petitioner as per the guidelines issued by the Security and Exchange Bank of India. The intimation in this regard was duly sent to the petitioner. The said information was furnished by him only on 28.10.2020. The documents so furnished were immediately forwarded to the CAMS KRA (Computer Age Management Services Pvt. Ltd.) and the Registrar & Transfer Agency (RTA) for processing and verification. The said verification and approval was received from the notified agency of the Security and Exchange Board of India on 6.11.2020. The next two days being a holiday, the proceeds were credited to the account of the applicant on 11.11.2020 without any delay. She contends that the lapse in complying with the mandate of the Security and Exchange Board of India was on the part of the respondent and the financial credit could not have been released in his favour till such compliance. The said guidelines have been made mandatory by the Security and Exchange Board of India so as to minimize the chances of fraudulent financial transactions. A large number of public notices to the said effect apprising the investors/unit holders/customers about the same were issued on 27.02.2020 requiring them to complete their KYC documents at the earliest for smooth transaction. She contends that in the absence of any lapse on the part of the respondent-State Bank Mutual Funds Management Private Ltd, the liability could not have been fastened.

6. I have heard learned counsel for the parties and have gone through the record of the case with their able assistance.

7. The respondent No.1 had invested in mutual funds with respondent No.2 in the present petition i.e. The State Bank of India Mutual Funds Management Private Ltd. which is a separate juristic entity. The relationship was thus, amongst respondent No.1 and respondent No.2 themselves. It has also not been disputed by respondent-Bank that the applicant submitted the application before the Permanent Lok Adalat that he had received the message from respondent No.2-SBI Mutual Funds for furnishing the KYC documents so that the amount in question could be credited to his account. The specific averment of respondent No.2 that the since the KYC requirement was completed on 28.10.2020 remained undisputed. Still further, the verification of the KYC documents was required to be undertaken through the agency as nominated by the Security and Exchange Bank of India. The said KYC documentation and compliance thereof having been mandated by law, the respondent No.2-SBI Mutual Funds Management Private Ltd. could not be said to be in default in calling upon submission of the requisite documentation and verification thereof. The amount has been credited immediately thereafter. The lapse cannot, thus be stated to be outrightly on the part of the respondent No.2 and an inordinate delay on the part of the petitioner in submitting the documents is clearly evident. It was also submitted that even though the information was sent by the respondent No. 2-State Bank of India Mutual Funds Pvt. Ltd. on 06.10.2020, however, the application under Section 22-C of the Legal Services Authorities Act, 1987 was filed before the Permanent Lok Adalat on 22.10.2020 and the documents were

furnished with respondent No.2 on 28.10.2020. Thus, the petitioner has chosen to approach the Permanent Lok Adalat first, rather than submitting the documents as are mandated by law. It is also apparent that the description of respondent No.2 is incorrect and as such the service on the said respondent could not be said to have been effected. The Permanent Lok Adalat was clearly in an error in merging the juristic entity of the separate companies which maintain different accounts. The address of the State Bank of India Mutual Funds is separate from address mentioned in the application submitted before the Permanent Lok Adalat and that the service rendered cannot be deemed as a proper service.

8. Considering from any of the angles, the award passed by the Permanent Lok Adalat was an ex-parte award and it failed to take into consideration the anticipated facts that have been brought on record before this Court.

9. Consequently, the present writ petition is allowed. The award dated 29.07.2021 passed by Permanent Lok Adalat (PUS) Rupnagar is set aside.

(VINOD S. BHARDWAJ)
JUDGE

July 31, 2024
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Whether speaking/reasoned Yes
Whether Reportable : No