

IN THE HIGH COURT AT CALCUTTA
Constitutional Writ Jurisdiction
Original Side

Present :- Hon'ble Justice Amrita Sinha

WPO 200 of 2024

Bhanu Properties Ltd. & Anr.
Vs.
Reserve Bank of India & Anr.

For the writ petitioners	:-	Mr. Deepan Sarkar, Adv. Mr. Tanish Ghaneriwala, Adv. Mr. Ramendu Agarwal, Adv. Ms. R. Goyel, Adv.
For the respondent no. 1	:-	Ms. Suchismita Ghosh Chatterjee, Adv. Mr. Malay Kr. Seal, Adv.
For the respondent no. 2	:-	Ms. Soni Ojha, Adv.
Hearing concluded on	:-	02.07.2025
Judgment on	:-	26.08.2025

Amrita Sinha, J.:-

1. The petitioners are aggrieved by the act of Axis Bank in continuing to classify the petitioner no. 1 as fraud despite repayment of the due amount. According to the petitioner, a sum of Rs. 7,50,00,000/- was sanctioned as cash credit facility by the bank. The petitioners, prior to declaration of fraud, repaid a sum of Rs. 13,47,96,742/-. The bank claims Rs. 2,40,81,903.25/- over and above the amount paid by the petitioners.
2. An agreement for One Time Settlement (OTS) was entered into by and between the petitioners and the bank and in terms of the OTS, the

petitioner paid Rs. 2,30,00,000/- and the said amount has been accepted by the bank. Despite receiving the amount as settled by and between the parties, the bank still continues to classify the petitioner no. 1 as fraud. The petitioners are aggrieved by the same.

3. It has been submitted that as the amount due to the bank had already been repaid by the petitioners in terms of the OTS, the bank ought to remove the name of the petitioner no. 1 from the list of fraud.
4. It has been argued that after settlement of the issue no further relationship between the petitioners and the bank exists and no purpose will be served in continuing to mark the petitioner no. 1 as fraud. The bank ought to remove the name of the petitioner no.1 from the list of borrowers who had committed fraud.
5. It has been pointed out that the agreement for OTS clearly mentions that the bank agrees and undertakes to withdraw the several suits filed before the respective courts. The bank has also agreed that the suits of the account will be shown as 'settled'. After settlement of the account, the bank ought not to continue with the classification of fraud in respect of the petitioners.
6. Prayer has been made to set aside the enlistment of the petitioners as fraud in the records of the bank.
7. The learned advocate for the petitioners relies upon the following Supreme Court decisions in support of his submission:

- (i) ***Suresh C. Singal & Ors. vs. State of Gujrat & Ors.*** reported in ***2025 SCC Online SC 788***.
 - (ii) ***N.S. Gnaneshwaran Etc. vs. Inspector of Police & Anr.*** reported in ***2025 SCC Online SC 1257***.
8. Learned advocate representing the respondent bank has filed an affidavit opposing the prayer of the petitioners.
 9. Reference has been made to the Reserve Bank of India (Fraud Classification and Reporting by Commercial Banks and Select FIs) Directions, 2016. The Direction relating to the penal measures to be taken for fraudulent borrowers mentions that borrowers who have defaulted and have also committed fraud in the account would be debarred from availing bank finances from Schedule Commercial Banks, Development Financial Institutions, Government owned NBFCs Investment Institutions, etc. for a period of five years from the date of full payment of the defrauded amount.
 10. The Directions also mention that no compromise settlement involving a fraudulent borrower is allowed unless the conditions stipulate that the criminal complaint will be continued. The aforesaid Directions have been framed by the Reserve Bank of India in exercise of the powers conferred by Section 35A of the Banking Regulation Act, 1949 in public interest. The purpose for putting into place such Directions are, inter alia, for providing a framework to the banks to enable them to detect and report frauds early and to do effective fraud risk

management. The guidelines lay down necessary safeguards/preventive measures by way of appropriate procedures and internal checks.

11. The petitioner no.1 was declared fraud as adverse findings were reported in internal investigation and forensic audit regarding misrepresentation in such statements submitted to the bank. The bank admits that money had been paid by the petitioners in furtherance of the OTS but the bank asserts that the recording of fraud in respect of the petitioner cannot be wiped away.
12. In support of the aforesaid submission learned advocate for the bank relies on the judgment delivered by the Hon'ble Supreme Court in the matter of **Anil Bhavarlal Jain & Anr. Vs. State of Maharashtra & Ors.** reported in **(2024) SCC Online SC 3823** wherein the Court took note of an earlier decision by the Hon'ble Supreme Court in the matter of **Parbatbhai Aahir vs. State of Gujarat** reported in **(2017) SCC Online SC 1189** wherein the Court observed that economic offences involving financial and economic wellbeing of the State have implications which lie beyond the domain of a mere dispute between private disputants. The High Court would be justified in declining to quash where the offender is involved in an activity akin to a financial or economic fraud. Economic offences stand on a different footing than other offences and the same affect the economy of the country as a whole and pose a serious threat to the financial health of the country.

If such offences are viewed lightly, the confidence and trust of the public will be shaken.

13. The respondents pray for dismissal of the writ petition.
14. I have heard and considered the submissions made on behalf of both the parties.
15. The only issue to be decided in the instant writ petition is whether the remark of fraud can be reflected in the records maintained by the bank despite repayment of the loan amount by the borrower.
16. The bank stress on the Directions framed by the Reserve Bank of India in this regard. Clause 8.12 of the 2016 Directions deals with the penal measures for fraudulent borrowers. It clearly records that borrowers, who have committed fraud in the account, would be debarred from availing bank finance from scheduled commercial banks, development financial institutions, government owned NBFCs, investments institutions, etc. for a period of five years from the date of full payment of the defrauded amount. No restructuring or grant of additional facilities may be made in case of fraud accounts. No compromise settlement involving a fraudulent borrower is allowed unless the conditions stipulate that the criminal complaint will continue.
17. In the instant case the loan account of the petitioner stood settled by the bank upon payment of the amount in terms of the OTS. The petitioner asserts that there has been violation of the principle of

natural justice and all documents relied upon by the bank to declare the petitioner no.1 as fraud was not supplied.

18. The terms and condition of settlement entered into by and between the parties have been stressed. It has been highlighted that the bank undertook to withdraw the civil suit filed before the respective Courts. On perusal of the said agreement for settlement it appears that though the bank undertook to withdraw civil suit but the criminal complaint/ cases were kept out of the purview of the undertaking. There was special mention in the said settlement that as per the current procedure of credit bureaus, as the matter is settled by paying an amount which is less than the actual outstanding, the credit bureau records will reflect the status as 'settled' and the credit bureau does not delete the records in such cases.
19. The aforesaid clearly implies that the remark fraud which is an economic offence has been kept out of the purview of settlement. There is no settlement in between the parties with regard to deleting the remark- fraud- from the records of the bank. The aforesaid act of the bank is in line with the RBI Directions which mention that a fraudulent borrower would be debarred from availing finance for a period of five years from the date of full payment of the defrauded amount.
20. Records are liable to be maintained by the bank as to whether the conduct of an applicant for loan is credible or not. By the said remark

the bank can easily ascertain the antecedent of the applicant and thereafter take a decision whether to accept the request for loan or not. If the bank is not satisfied with the past conduct of the applicant, the bank can always refuse to grant loan.

21. Banks deal with public money and if the amount granted as loan cannot be recovered or is recovered at a delayed point of time, then the same will certainly have an impact on the economy of the country. To protect the financial condition of the bank and maintain a proper balance of the amount given towards loan and the amount recovered therefrom, the bank is required to maintain proper records disclosing the manner of refund of the loan amount by a particular loanee.
22. A bank cannot be expected to grant loan to an applicant who does not have a proper track record of repayment. The bank ought not to put money in accounts from where chance of recovery is bleak.
23. The submission of the petitioners that there has been violation of the principle of natural justice and all documents are not supplied to the petitioner, in the opinion of the Court, cannot be adjudicated at this stage. On accepting the OTS, the petitioners had practically admitted the default on their part. The dispute between the parties came to an end with the settlement. The discrepancies, if any, cannot be reopened or looked into all over again.
24. After entering into the settlement in November, 2024 the petitioners cannot be permitted to challenge the act of the bank declaring the

petitioner no.1 as fraud which was passed nearly a year prior thereto. The loan amount has been closed with the remark 'settled', an expression which has a specific implication to suggest that the entire payment has not been made as per the claim of the bank but the loan account stood closed upon acceptance of a lesser amount.

25. Had the petitioners been genuinely aggrieved by the act of the bank in not providing all documents in proper time, then the petitioners ought to have followed up the matter diligently. The petitioners, in that case, should have recorded in the settlement whether to continue with the remark 'fraud' or not. There is no such reflection in the settlement. On the contrary, the parties have agreed that the criminal proceeding will continue. At this juncture the petitioners cannot cry hoarse and pray for a direction upon the bank to remove the remark 'fraud' in respect of the petitioner no.1.
26. In Suresh C. Singal (supra) the appellant approached the Supreme Court praying for quashing of an FIR registered by the Central Bureau of Investigation. There was no allegation by the bank and the dues of the bank stood settled. The Court was pleased to quash the proceeding after concluding that the dispute is civil in nature and no loss has been caused to the bank.
27. In the instant case, the bank was compelled to settle the loan account upon accepting an amount less than the amount found due by the bank. There is no separate criminal proceeding lodged by any other

party. The RBI Directions permit continuation of criminal proceeding and the bank is debarred from granting loan to a fraudulent borrower for a period of five years from the date of settlement of the dispute. For keeping track of the five years period, the bank is required to maintain records. The said act of the bank cannot be held to be illegal. As such, the ratio laid down in the matter of Suresh C. Singal cannot be made applicable in the facts and circumstances of the instant case.

28. In Gnaneshwaran (supra) the Court was dealing with the issue as to whether criminal proceedings can be quashed upon settlement of the dues in terms of the One Time Settlement scheme. The Court quashed the criminal proceeding by taking note of the fact that the dispute between the parties culminated in a comprehensive One Time Settlement and the entire outstanding amount was received by the bank with no residual claim. The Central Bureau of Investigation also registered FIR against the borrower. The bank did not raise any objection to the closure of the matter and issued formal acknowledgement of satisfaction.
29. Here, the entire outstanding due of the bank was not paid by the petitioners. The bank had to settle the loan by accepting an amount lesser than the total due amount claimed by the bank. The bank has not initiated any criminal proceeding against the petitioner. The bank has merely continued with the remark 'fraud' against the petitioner. The said remark will be required for future reference by the bank.

30. In Anil Bhavarlal (supra) the Court highlighted that economic offences constitute a class apart and have wider ramifications. The Court observed that the bank had suffered losses and substantial injury was caused to the public exchequer by which public interest has been hampered. The Court refused to quash the criminal proceeding pending under the Prevention of Corruption Act, 1988.
31. In the instant case also the bank, to avoid further financial loss, had to close the loan account by accepting lesser amount. Such recording is, in fact, in line with the RBI Directions.
32. In the light of the discussions made hereinabove, the Court is of the considered opinion that, in the facts and circumstances of the instant case, the prayer of the petitioners for setting aside the classification of the petitioner no.1 as fraud in the records of the bank, cannot be allowed. The same will be against public interest.
33. The writ petition, accordingly, fails and is hereby dismissed.
34. Urgent certified photocopy of this judgment, if applied for, be supplied to the parties or their advocates on record expeditiously on compliance of usual legal formalities.

(Amrita Sinha, J.)