# IN THE HIGH COURT OF JUDICATURE AT MADRAS

Dated : 03.06.2025

CORAM:

**THE HON'BLE MR.JUSTICE SATHI KUMAR SUKUMARA KURUP**

Appeal Suit No.396 of 2024

M/s. Balaji Finance Corporation (Regd.),
Rep. By its Manager, P.Srinivasulu,
21, Kasi Chetty Street, Sowcarpet,
Chennai – 600 079. ... Appellant

Versus

1. M/s. Faiz Poultry Farms,
   Rep. By its Partner Mr.Ibrahim
   Ground Floor, No.312,
   GST Road, Kadaperi, Nehru Nagar,
   Tambaram West, Chennai – 600 045.

2. Sajida Ibrahim ... Respondents

**Prayer:** Appeal Suit filed under Section 96 of Civil Procedure Code to set aside the Judgment and Decree dated 12.01.2024 in O.S.No.6725 of 2022 on the file of the learned Additional Judge – IV, City Civil Court, Chennai.

For Appellant : Mr.A.M.O.Gurunarayana
For Respondents : No Appearance

## JUDGMENT

This Appeal Suit has been filed to set aside the Judgment and Decree dated 12.01.2024 in O.S.No.6725 of 2022 on the file of the learned Additional Judge – IV, City Civil Court, Chennai.

2. The Appellant herein is the Plaintiff who has filed the suit under appeal against the Respondents herein for recovery of sum of Rs.10,59,142/- with interest at the rate of 30% per annum on the principal of Rs.7,45,000/- thereon from the date of suit till the date of full realisation.

3. The learned Counsel for the Appellant submits that the Defendants in the suit even though served with summons from the Court did not appear and remained *ex parte*. The Manager of the Plaintiff Company had deposed evidence and marked Ex.A-1 to Ex.A-5. Ex.A-1 is promissory note dated 27.09.2018. Ex.A-2 is the legal notice dated 25.07.2022. Ex.A-3 is the returned postal covers dated 27.07.2022. Ex.A-4 is the statement of Account. Ex.A-5 is the authorisation letter.

4. Even though the Defendants remained *ex parte*, the learned IV Additional Judge, City Civil Court, Chennai, instead of granting the decree as per the plaint averments, had decreed the Suit for Rs.5,00,000/- with interest at the rate of 30% per annum from 05.04.2021 till the date of filing of the Suit and directed the Defendants to pay interest at the rate of 12% per annum on Rs.5,00,000/- from the date of filing of the Suit till the date

of decree, and thereafter, to pay the interest at the rate of 6% per annum on Rs.5,00,000/- till its realisation with proportionate costs.

5. Aggrieved by the partial decree granted by the learned IV Additional Judge, City Civil Court, Chennai, the Plaintiff has approached this Court seeking for a decree as per the Plaint averments.

6. On perusing the Judgment, it is found that the learned Judge had on proper appreciation of evidence, rejected the claim of the Plaintiff for Rs.10,59,142/- with interest at the rate of 30% per annum from the date of Suit till the date of realisation and instead observed that as per the documents furnished by the Plaintiff, it is not stated whether the Plaintiff Finance Company had been registered as Registration Certificate had not been marked. The learned Judge had observed that the books of accounts maintained by the Finance Company were also not produced. Also, it was observed that the Ex.A-1-promissory note did not contain the wording that it was borrowed for commercial purposes so as to invoke the interest as per the agreement between the Plaintiff and Defendants 1 and 2.

7. The learned Judge had observed that even though in the promissory note itself, it is mentioned as interest at the rate of 36% per annum, the Plaintiff had only sought interest at the rate of 30% per annum from the date of promissory note for the balance principal amount of Rs.7,45,000/-. In short, the Plaintiff had instituted the suit for Rs.10,59,142/- along with interest at the rate of 30% per annum till the realisation of the amount.

8. The learned IV Additional Judge, City Civil Court, Chennai had observed as under:

> *"8. As per Ex.A-4, the defendants have re-paid totally a sum of Rs.10,40,000/- though they have received only a sum of Rs.10 lakh as loan on 27.09.2018, and as on 05.04.2021 the defendants are liable to pay a sum of Rs.7,45,000/-. In Ex.A1 promissory note the defendants had agreed to pay the interest at the rate of 36% p.a. but the plaintiff had claimed interest only at the rate of 30% as per the averments made in the plaint.*
>
> *9. Ex.A4 is the document said to have been prepared and maintained by the plaintiff himself. Even in Ex.A4 alleged statement of accounts maintained by the plaintiff itself it has been mentioned as if on 05.04.2021 the defendants have paid/deposited with the plaintiff a sum of Rs.2,55,000/- and another sum of Rs.2,45,000/-. But the sum of Rs.2,55,000/- had been credited by the plaintiff towards principal, and the sum of Rs.2,45,000/- was credited towards interest. The plaintiff has not produced any other document to prove the outstanding due either towards principal or interest. When that be the case and when a lump sum of Rs.5,00,000/- was paid by the defendants,*

*the same has to be credited only towards the principal amount. Crediting one part towards principal and another part towards interest by the plaintiff is not fair and proper on the part of the plaintiff.*

*10. When the plaintiff has not produced any other documentary evidence to show that the interest amount was in huge as on 05.01.2021 and for which alone, the defendants had paid a sum of Rs.2,45,000/- towards interest and when the plaintiff himself has credited another sum of Rs.2,55,000/- towards principal amount paid by the defendants on the same day. The amount of Rs.2,45,000/- credited by the plaintiff towards interest in Ex.A-4 without the knowledge and consent of the defendants is clearly an arbitrary Act and the same cannot be given a legal sanction.*

*11. It is to be pointed out that Ex.A4 is the self-serving document filed by the plaintiff and in that document itself it has been stated by the plaintiff as if the defendants had paid a sum of Rs. 5,00,000/- on 05.04.2021 and without crediting the same towards the principal amount crediting a sum of Rs.2,45,000/- towards interest alone is not a fair play adopted by the plaintiff. The plaintiff has to prove that the defendants had consented and paid the said amount only towards interest. As the plaintiff has not produced any other ledger or records maintained by them for the loan borrowed by the defendants to show the outstanding interest was at Rs.2,45,000/- as on 05.04.2021, the amount credited towards interest in Ex.A4 by the plaintiff is not sustainable one. When a huge amount has been paid by the defendants, it shall be credited into the account of the defendants towards principal amount and thereafter alone the interest has to be calculated. When the plaintiff himself has admitted in Ex.A4 as if the defendants had paid a sum of Rs.10,40,000/- towards the loan amount of Rs.10,00,000/- borrowed by the defendants then it shall be presumed that the plaintiff has credited the amount of Rs.2,45,000/- towards interest in Ex.A4 only for the purpose of the suit for claiming more amount from the defendants, which cannot be entertained by the Court. Hence total amount of Rs.5,00,000/- paid by the defendants on 05.04.2021 as per Ex.A4 is to be treated as if they* *have paid towards the principal amount and if the said amount has been deducted from the amount of Rs.7,45,000/-, the remaining balance amount to be paid by the defendants would comes to Rs.5,00,000/- as on 05.04.2021 even as per the stand taken by the plaintiff. Hence this Court finds that the plaintiff is entitled to claim the principal amount only at a sum of Rs.5,00,000/- as on 05.04.2021 and he is entitled to claim interest only for the said amount of Rs.5,00,000/- from 05.04.2021. Hence the plaintiff is not entitled to claim a sum of Rs.7,45,000/- towards principal amount as on 05.04.2021 and the plaintiff is entitled only a sum of Rs.5,00,000/- towards the principal amount as on 05.04.2021.*

*12. As the defendants have repaid a sum of Rs.10,40,000/- towards the principal and interest even as admitted by the plaintiff, claiming of interest at 30% p.a even from the date of filing the suit till its full realization is not the correct way of approach adopted by the plaintiff. The plaintiff has not produced the registration certificate issued by the authority's concerned for running the finance business by the plaintiff. Hence claiming of interest at 30% p.a. even after filing this suit is exorbitant one. The plaintiff can claim interest at 30% p.a till the date of filing of this suit as agreed by both the parties and claiming the same rate of interest till its realization is amounts to claiming exorbitant rate of interest by the plaintiff.*

*13. Though the plaintiff has claimed that the defendants had borrowed the loan amount of Rs.10 lakh for their business purpose there is no whisper of word in Ex.A1 pro note to prove that they have borrowed the said amount for their business purpose. No other evidence was also produced by the plaintiff in this regard. Hence claiming of interest at an exorbitant rate of interest at the rate of 30% per annum is not within the purview of law and it will attract the offence punishable under the provisions of prevention of claiming Exorbitant Rate of Interest Act enacted by the State of Tamil Nadu. Hence this Court finds that the plaintiff is entitled to a money decree only for a sum of Rs.5,00,000/- with an interest at the rate of 30% per annum from 05.04.2021 till the date of filing of this suit and thereafter the plaintiff is entitled to claim interest only at the rate of 12%*

*per annum on Rs.5,00,000/- from the date of filing of this suit till the date of decree and thereafter the plaintiff is entitled for an interest at the rate of 6% per annum on Rs.5,00,000/- till its realization with proportionate cost and this point has been decided accordingly.*

*In the result, this suit is decreed for the principal amount of Rs.5,00,000/- only and the defendants are directed to pay a sum of Rs.5,00,000/- (Rupees Five Lakhs only) together with an interest at the rate of 30% per annum from 05.04.2021 till the date of filing of this suit and the defendants are directed to pay interest only at the rate of 12% per annum on Rs.5,00,000/- from the date of filing of this suit till the date of decree and thereafter to pay an interest at the rate of 6% per annum on Rs.5,00,000/- till its realization with proportionate cost."*

9. The names of the Respondents were printed in the cause list, yet no Counsel represented on behalf of the Respondents. The learned Counsel for the Appellant was heard. In the course of the argument, he had submitted that the calculation of the interest by the trial Court was not as per the agreed rate of interest as per the pro-note executed by the Defendants in the suit in O.S.No.6725 of 2022. It is his further submission that the loan availed from the Plaintiff by the Defendants was for commercial purposes. When a query was raised by the trial Court whether the Plaintiff had filed any document in support of his contention, he had not done so. Based on which, the learned Judge had rejected the claim of interest as stated in the plaint.

10. The learned Judge had also observed that the Plaintiff had not filed any documents to show that it was a registered company. Also, the documents regarding the loan transaction accepting the promissory note were not furnished before the trial Court. Even though the Defendants remained *ex parte,* the learned Judge exercising his discretion refused to order interest as claimed by the Plaintiff. Aggrieved by the refusal of interest only, the Plaintiff had preferred this Appeal. Therefore, this Court raised the same query. Under those circumstances, the Appellant sought to file additional documents to clear the doubts raised by the learned trial Judge. In the light of the same, C.M.P.No.601 of 2025 in A.S.No.396 of 2024 had been filed. The other side had remained *ex parte* even in the said CMP. Even though the names of the Defendants as Respondents were printed in the cause list, no Counsel was engaged by the Respondents. Therefore, the Petition is allowed. Such documents filed by the Appellants are marked as Ex.A-6 to Ex.A-9.

11. Ex.A-6 is the Application for obtaining loan from Balaji Finance Corporation which is given by Faiz Poultry Farm. Ex.A-7 is the annual receipts regarding yearly fee paid for the year 2023-2024 to the Registration Department. Ex.A-8 is the certified copy of the Registration

Certificate of the Balaji Finance Corporation which is a registered firm bearing Registration No.1188 of 1968. Ex.A-9 is receipts of payments made by the Respondents/Faiz Poultry Farms regarding payments of Rs.75,000/- on 22.09.2020 and Rs.5,00,000/- on 05.07.2021.

12. From Ex.A-6 to Ex.A-9, the claim of the Appellant seeking decree, as prayed for in the Plaint, seeking 30% interest for the outstanding sum of Rs.7,45,000/- cannot be accepted. Considering the fact that the Suit was filed under Order 37 Rule 1 r/w. Section 26 of Civil Procedure Code as summary Suit, the Defendants are not permitted to agitate their rights. They have to seek leave of the Court to agitate their rights and to file a written statement. Therefore, the Plaintiff expects the Court to grant a decree, as prayed for. From the promissory note under Ex.A-1, it is found that the Defendants 1 and 2 had signed the promissory note dated 27.09.2018, agreeing to repay the amount of Rs.10,00,000/- along with interest at the rate of 36% per annum.

13. As pointed out by the learned IV Additional Judge, City Civil Court, it is not stated for commercial purposes. The Defendants 1 and 2 had signed their names with the seal of Faiz Poultry Farms. Therefore, the

Defendants 1 and 2 having signed it as Faiz Poultry Farms, it is to be presumed as for commercial purposes and that is why 36% interest was imposed.

14. While filing the Suit, the Plaintiff had restricted their claim of interest to 30% per annum and calculated the outstanding as Rs.7,45,000/-. On perusal of Ex.A-4, the statement of accounts of Faiz Poultry Farms maintained by the Balaji Finance Corporation, it is found that on 05.04.2021, the Defendants 1 and 2 had paid Rs.5,00,000/- to the Plaintiff. An office copy of the receipt has been filed as additional document in Ex.A-9 wherein the receipt of Rs.5,00,000/- has been split as Rs.2,55,000/- as principal and Rs.2,45,000/- as interest. However, no signature of the Respondents have been obtained on the reverse side of the receipt to show that the Respondents had consented for the same.

15. To invoke the principle of appropriation and reappropriation in order to split the amount as principal and interest as per the discretion of the Finance Corporation it should be a registered Finance Corporation.

16. When this Court as Appellate Court sought the details

regarding the query raised by the learned IV Additional Judge, while refusing to impose interest as claimed by the Plaintiff in the Suit on the ground that the details of the registration of the Finance Company is not marked as a document before the trial Court and the details of the payment made by the Defendants also was not furnished as registers. Therefore, this Court directed the Appellant as Plaintiff to furnish those documents in the Appeal. Accordingly, C.M.P.No.601 of 2025 in A.S.No.396 of 2024 was filed. Since the Respondents had not engaged a Counsel and remained ex-parte, this Petition was allowed and thereby additional documents were marked as Ex.A-6 to Ex.A-9.

17. From the documents furnished, it is found from Form-C, Rule 9 (a) of the Registration of Firm by the Registrar of Firms, the Balaji Finance Corporation is registered as a registered firm bearing Registration No.1188 of 1968 of Madras District on the 2nd Day of November, 1968.

18. Whether the Balaji Finance Corporation registered as a Firm, is still in existence was verified through the Tamil Nadu Registration Department Online Portal. It was found that "காட்சிப்படுத்தப்பட்ட பதிவுருக்கள் எதுவும் இல்லை." If the Firm is not in existence on the date of filing of the

Suit, the Plaintiff is not entitled to claim the amount. Regarding the claim of interest for business transactions/commercial transactions in State Bank of India, the rate of interest starts from 9.10% per annum and can go up to 11.65% p.a.

***Points for Determination:-***

***(i) Whether the Plaintiff is entitled to a decree as prayed for as per the Plaint instead of the Decree granted by the learned IV Additional Judge, City Civil Court, Chennai?***

***(ii) Whether the calculation of the principal and interest calculated by the learned IV Additional Judge is erroneous?***

19. The learned IV Additional Judge had ordered 30% per annum as interest as per the claim made by the Plaintiff in the Plaint from the date of deposit of Rs.5,00,000/- by the Defendants 1 and 2 till the date of filing of the Suit which itself attracts the provisions of the Tamil Nadu Prohibition of Charging Exorbitant Interest Act, 2003. Sections 2 and 3 of Tamil Nadu Prohibition of Charging Exorbitant Interest Act, 2003, are extracted hereunder:-

*Section 2-Definition:-*

*(i) "daily vatti" means interest on daily basis which will work out to an interest rate more than that fixed by the Government under section 7 of the Money-lenders Act;*

*(ii) "debtor" means a person who receives loan for exorbitant interest;*

*(iii) "exorbitant interest" means and includes daily vatti, hourly vatti, kandhu vatti, meter vatti and thandal;*

*(iv) "hourly vatti" means interest on hourly basis which will work out to an interest rate more than that fixed by the Government under section 7 of the Money-lenders Act;*

*(v)"kandhu vatti" means an interest which will work out to an interest rate more than that fixed by the Government under section 7 of the Money-lenders Act;*

*(vi)"loan" means an advance of money for daily vatti, hourly vatti, kandhu vatti, meter vatti or thandal;*

*(vii)"meter vatti" means an interest which will work out to an interest rate more than that fixed by the Government under section 7 of the Money-lenders Act, for every day on the loan amount not paid within the stipulated time;*

*(viii)"Money-lenders Act" means the Tamil Nadu Money-lenders Act, 1957;*

*(ix) "thandal" means interest which will work out to an interest rate more than that fixed by the Government under section 7 of the Money-lenders Act, which is to be collected daily along with the part of the loan amount;*

*(x) words and expressions used but not defined in this Act, shall have the meanings assigned to them in the Money-lenders Act.*

***Section 3-Prohibition of Charging Exorbitant interest.***

*- No person shall charge exorbitant interest on any loan advanced by him."*

20. It attracts Section 7 of the Money Lenders Act (26 of 1957). The definition for exorbitant interest mentioned under Section 7 of the Money Lenders Act is extracted hereunder:-

***"7.Interest and charges allowed to money-lenders.***

*- [(1) No money-lender shall charge interest on any loan, at a rate exceeding such rate as the Government may, by notification, fix, from time to time:Provided that the rate of interest as may be fixed by the Government shall be correlated to the current bank rates of lending as may be fixed by the Reserve Bank of India, from time to time.] [Sub-section (1) was substituted by section 3 of the Tamil Nadu Money-Lenders (Amendment) Act, 1979 (Tamil Nadu Act 41 of 1979).]*

*(2) A money-lender may demand and take from the debtor such charges and in such cases as may be prescribed.*

*(3) A money-lender shall not demand or take from the debtor any interest, profit or other sum whatsoever in excess of that payable under sub-section (1)."*

To verify the current bank rates as fixed by the Reserve Bank of India, this Court has verified with the SBI Official website where it is mentioned that for commercial transactions/business transactions, the rate of interest may go from 9% to 11.65%. In the light of the above provisions of law, the claim made by the Plaintiff herein attracts the provisions of Tamil Nadu Prohibition of Charging Exorbitant Interest Act, 2003 and he should be penalized. The conduct of the Plaintiff splitting the receipt of Rs.5,00,000/- as interest and principal is found as unlawful action. Therefore, what had been calculated by the learned IV Additional Judge by imposing 30% interest from 05.04.2021 till date of filing of the suit is found faulty. The Plaintiff had approached this Court, the Court is duty bound to calculate the interest only as per the laws of the country and as per the laws in the statute book. Therefore, the claim of the Plaintiff is found unacceptable in the light of the provisions of the Tamil Nadu Prohibition of Charging Exorbitant Interest Act, 2003. For the balance amount of Rs.5,00,000/-, the Plaintiff is entitled to only 12% of interest from 05.04.2021 till the date of filing of the Suit ie., 15.09.2022 and 9% of interest, from 15.09.2022 till the date of Judgment; and 6% of interest from the date of Judgment till the date of realisation. The conduct of the Plaintiff in usurping Rs.2,55,000/- towards principal and Rs.2,45,000/- towards interest for the outstanding amount is found unfair in the light of the provisions of Tamil Nadu Prohibition of Charging Exorbitant Interest, 2003. For the conduct of the Plaintiff, the Suit itself has to be dismissed and criminal action has to be initiated against him.

21. The calculation of interest of 30% per annum granted by the learned IV Additional Judge, City Civil Court, Chennai, is found unacceptable in the light of the Provisions of the Tamil Nadu Prohibition of Charging Exorbitant Interest Act, 2003.

22. In the light of the above discussion, **the points for determination are answered against the Appellant and in favour of the Respondents.** The Judgment and Decree dated 12.01.2024 in O.S.No.6725 of 2022 passed by learned IV Additional Judge, City Civil Court, Chennai is modified.

In the result, this ***First Appeal is dismissed***. The Judgment and Decree dated 12.01.2024 in O.S.No.6725 of 2022 passed by the learned IV Additional Judge, City Civil Court, Chennai, is modified in respect of interest only. The Defendants are directed to pay a sum of Rs.5,00,000/- to the Plaintiff with interest at the rate of 12% per annum from 05.04.2021 till the date of filing of the Suit i.e., 15.09.2022 and with interest at the rate of 9% per annum from 15.09.2022 till the date of Judgment; and with interest at the rate of 6% per annum from the date of Judgment till the date of realisation. No costs.

03.06.2025

dh
Index : Yes/No
Internet : Yes/No
Speaking/Non-speaking order

To

1. The IV Additional Judge,
   City Civil Court, Chennai.

2. The Section Officer,
   V.R. Section,
   High Court, Madras.

**SATHI KUMAR SUKUMARA KURUP, J.,**

dh

Judgment made in
A.S.No.396 of 2024

03.06.2025