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W.P No. 42506 of 2016

IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED : 09.12.2025

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THE HONOURABLE MR.JUSTICE HEMANT CHANDANGOUDAR

W.P No.42506 of 2016

and WMP.No. 36400 of 2016

K.M.V. Manivannan

..Petitioner

Vs

1.The Government of Tamil Nadu
rep by Principal Secretary to Government
Micro, Small and Medium Enterprises Department,
Fort St. George, Chennai-600009.

2.The Director of Industries and Commerce
South Canal Bank Road,
Mandhavelippakkam,
Raja Annamalaipuram,
Chennai-600028.

3.The Additional Director of Industries
& Commerce, (Rural Projects)
South Canal Bank Road,
Mandhavelippakkam,
Raja Annamalaipuram,
Chennai-600028.



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4.G.Sundaramurthy, I.A.S (Retd)
Director of Industries & Commerce,
No.63, Thalayari Street,
West Mambalam, Chennai -600033.

5.E.M.Joseph Ravi Devasahayam
Additional Director of Industries
& Commerce-Rural Projects, (Retd)
No.3, Thiruvalluvar Street,
Plot No.17, V.G.P. Shanthi Nagar, Part-II
Pallikarnai, Chennai-600100.

..Respondents

Writ Petition is filed under Article 226 of Constitution of India, praying for issuance of a Writ of Certiorarified Mandamus, calling for the records of the first respondent issued in G.O (2D) No. 38 Micro, Small and Medium Enterprises [EII(2)] Department dated 30.11.2015 by the 1st respondent and quash the same and issue a consequential direction to the 1st respondent to drop the proceedings and pass such further or other orders.

For Petitioners : Mr.R.Saseetharan

For Respondents : Mrs. R.L. Karthika, GA

ORDER

The challenge in this writ petition is to the order dated 30.11.2015 passed by the first respondent in G.O.(2D) No.38, Micro, Small and Medium



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Enterprises [EII(2)] Department. By the said order, the petitioner was imposed with the punishment of stoppage of one increment for a period of two years with cumulative effect for the proved charges. It was also observed that the punishment would affect his pension and would include any leave period, if any, spent by him before the period of punishment was completed.

2. The petitioner, while working as Joint Director of Industries and Commerce / formerly Special Officer, TAICO Bank, Egmore, Chennai, was issued with a charge memo dated 21.06.2010 along with a statement of allegations , alleging that while discharging his duties as Managing Director, TAICO Bank, he had sanctioned loans in excess of Rupees Eight Lakhs, contrary to the circular governing the sanction of loans. The petitioner submitted his explanation denying the charges. As the explanation was found to be unsatisfactory, a departmental enquiry was initiated. The Enquiry Officer submitted a report holding that Charge Nos. 2, 7, and 9 were proved, and that Charge No.10 was partly proved.

3. The petitioner was thereafter issued with a second show cause notice



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calling upon him to explain as to why the enquiry report should not be accepted and appropriate punishment should not be imposed. The petitioner submitted his explanation to the Disciplinary Authority. The Disciplinary Authority passed an order, which was challenged before this Court. This Court set aside the said order and directed the Disciplinary Authority to pass a speaking order. Pursuant thereto, the Disciplinary Authority passed the impugned order.

4. The learned counsel for the petitioner submitted that the petitioner had sanctioned the loans strictly in conformity with the circulars governing the sanction of loans. Despite bringing the relevant circulars to the notice of the Disciplinary Authority, the same were not considered. The Disciplinary Authority proceeded to hold that the petitioner had sanctioned House Building Advances exceeding Rupees Eight Lakhs, which, according to the Authority, was not permissible under the circulars. On that basis, it was concluded that the sanction of loans was contrary to the guidelines issued by the management, and the impugned order was passed.

5. The learned counsel for the petitioner further submitted that the petitioner had submitted a detailed explanation in respect of the charges held to be proved, clearly demonstrating that the sanction of loans was strictly in accordance with the circulars in force. However, without considering the said



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circulars, the Disciplinary Authority passed the impugned order, which is legally unsustainable.

6. In response, the learned Government Pleader appearing for the respondents submitted that as per the circular dated 03.07.2008, specific guidelines were issued, under which, for construction or purchase of a ready-built house within Municipal limits, only 75% of the cost of the property or Rs.8.00 lakhs, whichever is less, is eligible. Similarly, for construction or purchase of a ready-built house or flat within Municipal limits and adjacent Town Panchayats, the sanction is limited to 75% of the cost of the property or Rs.8.00 lakhs, whichever is lower.

7. It was further submitted that contrary to the said circular, the petitioner had sanctioned loans in excess of Rs.8.00 lakhs to the borrowers. As the charges stood proved, and since the Disciplinary Authority, after considering the explanation submitted by the petitioner, had rightly passed the impugned order, there is no illegality or perversity in the findings recorded by the Enquiry Officer warranting interference by this Court.

8. The submissions of the learned counsel on either side and the materials placed on record have been duly considered.



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9. The Enquiry Officer submitted a report holding that Charge Nos. 2, 7, and 9 were proved, and that Charge No.10 was partly proved. The charges framed against the petitioner are extracted hereunder for the purpose of adjudication and for examining the validity of the impugned order.

“Charge No. 2

As per the guidelines, instruction, terms and conditions issued by the bank for processing of loan application towards the purchase of ready built house in the Municipal limits only 75% of the cost of property or Rs.8.00 lakhs whichever is less is eligible. In the nine cases mentioned below:-

- 1. O.M.A. Marathon Notch Doni and Tmt.Bose Putin*
- 2.Mariappa*
- 3. Vijayalakshmi*
- 4. V.Raman and Kalyani*
- 5. Jacculin Solomy Chinnarani*
- 6. T.Ravishankar & Radhabai*
- 7. K.Raju & K.Annalakshmi*
- 8. Rajukumar*
- 9. P.Pious Paul Loganathan*

The sanctioning authority and scrutinizing officer has sanctioned the loan amount over and above the limit stipulated in the guideline, which is a clear violation of guidelines issued by the bank. The sanctioning authority and scrutinizing officer has failed to observe and non-adherence to the guidelines, terms and conditions fixed by the bank shows there is a lack of integrity and devotion, towards the processing of House Building loans to the above nine applicants and dereliction of duty on behalf of the



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authority concerned.

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Charge No. 7:

The appraisal notes towards the sanctioning of House Building Advance/loan are prepared by the bank officers which are duplicated by adding the rented income and pension with the income of the loanees so as to match the EMI monthly installment. This duplication of added income have to be rectified by the officers who are deputed from Government while manning the administration whereas in the following five cases;

- 1. Elumalai*
- 2. Sandiagu*
- 3. Mariappa*
- 4. Vijayalakshmi*
- 5. V.Raman and Kalyani*

The duplication of added income has been endorsed by the loan sanctioning authority and scrutinizing officer shows there is a clear malafide intention of getting pecuniary benefits from the loanees.



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Charge No. 9:

The Bank has considered and issued House Building Advance to the ineligible persons who are not actually having repaying capacity as detailed below:

.....

From the above it is seen that, the sanctioning authority and scrutinizing officer has granted loans to the above 10 ineligible persons who do not have repaying capacity which is highly irregular on the part of the sanctioning authority and scrutinizing officer and as a consequence of the above action, it is inferred that the whole sanction process is illegal.”

10. The sum and substance of the allegations against the petitioner is that, while he was functioning as the Managing Director of TAICO Bank, he disbursed loans to borrowers in excess of Rs.8,00,000/-, allegedly in contravention of the Circular dated 03.07.2008.

11. The petitioner submitted his explanation stating that both the Enquiry Officer and the Disciplinary Authority had considered only the Circular dated 03.07.2008, without taking into account the Circular dated 02.07.2008, which was in addition thereto. The Circular dated 02.07.2008, which has been produced before this Court, reveals that Subsidiary Regulations 4 and 6 under Bye-law No.4(h)(b) of TAICO Bank were amended to provide that loans against the mortgage of properties situated within Grade-I Municipalities could



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be sanctioned up to Rs.10,00,000/- with a repayment period of seven years.

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12. These circulars were applicable to properties situated within the municipal limits. Subsequently, another circular dated 23.04.2009 was issued by TAICO Bank, by which the enhanced limit prescribed under the Circular dated 02.07.2008 was extended to properties situated adjacent to municipal and corporation limits. In the present case, the loans sanctioned by the petitioner pertained to properties located adjacent to the corporation limits, as is evident from the findings recorded by the Enquiry Officer in relation to Charge No.2. The Enquiry Officer specifically noted that a certificate obtained from the President of Pitchandavar Kovil Panchayat certified that the apartment was situated approximately 1.4 kilometres from the Trichy Corporation limits. Therefore, the findings recorded by the Enquiry Officer with respect to Charge No.2 are contrary to the circulars that were in force at the time of sanction of the loans.



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13. Charge No.7 relates to the allegation that appraisal notes prepared for the sanction of House Building Advance/loans were duplicated by adding rental income and pension income to the income of the loanees in order to match the monthly EMI. It is alleged that such duplication ought to have been rectified by the officers deputed from the Government who were manning the administration. While it is alleged that, in five cases, such duplication of income was endorsed by the loan sanctioning authority and the scrutinising officer, suggesting a mala fide intention to derive pecuniary benefits, the said allegations are primarily directed against the bank officers and not against the petitioner. Further, the charge is not substantiated by producing any circular or material to implicate the petitioner in respect of Charge No.7.

14. Charge No.9 pertains to the allegation that House Building Advances were sanctioned to ineligible persons who allegedly lacked repayment capacity. This charge is intrinsically connected with Charge No.7. In the absence of any material to show that the petitioner, in his capacity as Managing Director, sanctioned loans to ineligible persons, this charge cannot be sustained. No documentary evidence has been produced to establish that the loans were sanctioned by considering one-third of the total income rather than the income of the applicant or the spouse, as alleged.



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15. Charge No.10 is interlinked with Charge No.2. In the absence of sustainable findings in respect of Charge No.2, the finding recorded by the Enquiry Officer holding Charge No.10 as partly proved is also without any basis.

16. Admittedly, the petitioner had submitted a detailed explanation to the Disciplinary Authority asserting that the loans were sanctioned strictly in conformity with the circulars in force. However, the Disciplinary Authority concluded that sanctioning House Building Advances in excess of Rs.8,00,000/- was not supported by any circular. This finding is clearly contrary to the circulars that were operative at the relevant time.

17. The records further reveal that the bank staff had considered one-third of the income of the applicant and his or her spouse, and not the entire income, as alleged in the charges. Therefore, the finding of the Enquiry Officer that the explanation submitted by the delinquent officer was unacceptable on the ground that rental income ought to have been taken in full, as per the circular, is without substance and cannot be sustained.

18. The petitioner has also placed reliance on the order passed by a Coordinate Bench of this Court in W.P. No.18818 of 2020 dated 18.03.2022,



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filed by one of his colleagues. In the said order, the writ petition was dismissed, with an observation that the entire loan amount sanctioned by the petitioner, which formed the subject matter of the enquiry, had already been recovered and that there was no default as alleged. It was further observed that the writ petition therein appeared to have been filed out of personal vendetta.

19. In light of the foregoing discussion, this Court is of the considered view that the loans sanctioned by the petitioner, in his capacity as Managing Director of TAICO Bank, were strictly in accordance with the circulars in force. There is no material to establish any dereliction of duty or misuse of power in sanctioning loans exceeding Rs.8,00,000/- to the applicants. Consequently, the findings recorded by the Enquiry Officer and confirmed by the Disciplinary Authority are contrary to the governing circulars and are legally unsustainable.

20. Accordingly, the following order is passed:

- i. The writ petition is allowed.
- ii. The impugned order dated 30.11.2015 passed by the first respondent is hereby set aside.
- iii. The respondents are directed to revise and disburse the petitioner's pension, pensionary benefits, and gratuity consequent upon his superannuation, in accordance with law within a period of three (3) months from the date of receiving this order.



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iv. Consequently, the connected miscellaneous petition is closed.

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There shall be no order as to costs

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Index : Yes

Internet : Yes

Neutral Citation : Yes

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HEMANT CHANDANGOUDAR, J.

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