



W.P. Nos.19596-32421/2023

IN THE HIGH COURT OF JUDICATURE AT MADRAS

Reserved on	Pronounced on
26.11.2025	12.12.2025

CORAM

THE HONOURABLE MR. JUSTICE M.DHANDAPANI

W.P. NOS.19596 & 32421 OF 2023

AND

W.M.P. NO. 49601 OF 2025

M/s.Royal Classic Mills Pvt. Ltd.
Rep. By its Managing Director
Mr.T.R.Sivam
No.31, Puliyamara Thottam
Mangalam Road, Tirupur.

.. Petitioner in both WPs

- Vs -

1. M/s.Canara Bank
Mid-Corporate Branch
No.70/74, II Street
60 Feet Road, J.G.Nagar
Tirupur 641 602.
2. National Credit Guarantee Trustee Co. Ltd.
Swavalamban Bhavan, C-11, G Block
Bandra Kurla Complex
Bandra E Mumbai 400 051.

.. Respondents in both WPs

W.P. No.19596 of 2023 filed under Article 226 of the Constitution of India

praying this Court to issue a writ of certiorarified mandamus calling for the records of the 1st respondent with respect to the letter dated 29.04.2023 in



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Ref.2334/MCB TPR/14/RCM TOC/2023-2024 issued by the 1st respondent and quash the same being illegal and violative of the scheme issued by the 2nd respondent and consequently direct the 1st respondent to return the deposit of Rs.25,00,000/- (Rupees Twenty Five Lakhs only) lying with the 1st respondent with applicable interest.

W.P. No.32421 of 2023 filed under Article 226 of the Constitution of India praying this Court to issue a writ of mandamus directing the respondent to return the illegally debited charges and penalties of Rs.52,56,458/- debited unlawfully under various heads.

For Petitioner : Ms. K.R.Ananda Gomathy
For Respondents : Ms.S.R.Sumathy for R-1
Ms. K.Sathiya for
M/s.Shivakumar & Suresh for R-2

COMMON ORDER

While W.P. No.19596/2023 has been filed by the petitioner assailing the letter of the 1st respondent calling upon the petitioner to pay pre-closure charges and also direct the 1st respondent to return the deposit of Rs.25,00,000/- (Rupees Twenty Five Lakhs only) lying with the 1st respondent, W.P. No.32421 of 2023 has been filed by the petitioner to direct the 1st respondent to refund the sum of Rs.52,56,458/- which has been levied/debited towards various charges and



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penalties in respect of the account of the petitioner with the 1st respondent bank upon transfer of the loan account to Federal Bank.

Facts in W.P. No.19596/2023 :

2. The petitioner is a CRISIL-A rated company which had its banking with Canara Bank, Tirupur, since the year 2005 and it has an unblemished track record with the bank. Till recently, the petitioner was continuing its operations with the 1st respondent, but since the operations were not feasible, the petitioner was constrained to move its account to M/s.Federal Bank during February, 2023. The petitioner was enjoying a working capital of Rs.40 Crores and had two Guaranteed Emergency Credit Line (for short 'GECL') loans to the tune of Rs.8 Crores and Rs.4.5 Crores respectively, in all totalling to a forward contract loan amount of Rs.50 Crores.

3. It is further averred that by January, 2023, all the dues payable to the 1st respondent amounting to Rs.50.72 Crores were paid in full and the mortgaged properties by way of collateral securities were requested to be returned along with the cancellation of Memorandum of Deposit of Title Deeds (for short 'MODT'). At this point of time, the 1st respondent called upon the petitioner to



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pay 2% as penal charges on the outstanding amount for pre-closing the GECL loans availed by it. It is further averred that GECL loan was granted to eligible borrowers, on account of COVID-19 and the entire scheme is drawn by the 2nd respondent, who guaranteed the loan that is offered by its Member Lending Institutions (for short 'MLI') to eligible customers. The operational guidelines of the Emergency Credit Line Guarantee Scheme made it very clear that there would be no penal charges if the borrower chose to pre-pay the entire liability. In fine, it was made clear that if the borrower wishes to close the GECL loan account before its intended date of closure, there could be no pre-payment penalty.

4. It is further averred that loans were cleared in full on 25.1.2023 but the 1st respondent, in blatant violation of the guideline issued by the 2nd respondent, which is binding on the 1st respondent, had demanded 2% as pre-payment penalty charges, which works out to around Rs.24 Lakhs and inspite of the petitioner questioning the rationale behind such levy by pointing out that it cannot be claimed under the scheme as such a clause does not form part of the conditions of sanction, yet, the 1st respondent has been insistent on payment of the said amount and has neither reverted back to the petitioner nor released the documents and the MODT.



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5. It is further averred that the 1st respondent has been demanding the said penal interest in deviation of their own terms of sanction, which provides for penal interest only in four contingent scenarios, which is not attracted to the case of the petitioner. The terms and conditions of the sanction do not provide for charging of pre-payment penalty on a borrower, excluding the four contingent situations and the petitioner has not committed default or fell within the four scenarios and, therefore, is not required to pay the pre-payment penalty, as it has paid off its dues without any default.

6. It is further averred that the loans were closed as early as on 25.1.2023, but the 1st respondent, vide letter dated 29.4.2023 had demanded 2% of the outstanding limit of the GECL to the tune of about Rs.24 Lakhs as pre-payment penalty. In spite of the petitioner making specific request pointing out that as per the GECL Scheme, no pre-payment penalty is permissible to be levied, the 1st respondent did not revert back and had not released the documents, which were given as collateral by the petitioner to the 1st respondent in spite of the fact that the loan was taken over by M/s.Federal Bank as early as in February, 2023 and due to the retention of the MODT and other documents by the 1st respondent



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and demanding payment of pre-payment penalty, the petitioner is unable to honour its commitment with the Federal Bank.

7. It is further averred that the action of the 1st respondent in having recovered the entire dues as early as in January, 2023 but still holding on to the securities to make an unfair enrichment of its kitty by means of misuse though ECGL does not provide for collection of pre-payment penalty is an unfair and highly prejudicial act on the part of the 1st respondent. Aggrieved by the imposition of pre-payment penalty, the present writ petition has been filed.

Facts in W.P. No.32421/2023 :

8. In addition to the averments made in W.P. No.19596/2023, it is averred by the petitioner that the continued silence of the 1st respondent with regard to the representation of the petitioner on the issue of pre-payment penalty, the petitioner, had shifted its banking operations from the 1st respondent to Federal Bank and sought for closure of the account with the 1st respondent on 1.2.2023, but inspite of the same, the petitioner's account with the 1st respondent was kept pending for non-payment of alleged closure charges and dues. As the credit rating of the petitioner was being affected due to non-closure of the account and



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the petitioner coming to know that various charges and penalties, to the tune of Rs.52,56,458/-, have been debited by the 1st respondent under various heads without any intimation to the petitioner, much after payment of all the dues in full was nothing but an act of arbitrariness using the fiduciary relationship of the petitioner with the bank. Therefore, the petitioner issued a notice dated 28.8.2023 seeking refund of the monies debited by the 1st respondent for which a reply notice was issued by the 1st respondent dated 5.9.2023 rejecting the request of the petitioner. Aggrieved by the action of the 1st respondent in levying and debiting charges retrospectively after closure of the account, that too without any intimation to the petitioner, the present writ petition has been filed.

9. Learned counsel appearing for the petitioner submitted that the levy of 2% pre-payment penalty is grossly erroneous and perverse as it is not in consonance with the GECL Scheme floated by the 2nd respondent.

10. It is the further submission of the learned counsel that pre-payment penalty is not applicable to the loans, which have been granted under the GECL Scheme, as would be evident from clauses 10 (1)(x) and (xvi) of the Operational Guidelines framed towards the Emergency Credit Line Guarantee Scheme. It is



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the further submission of the learned counsel that the amounts having been lent under the said scheme, the pre-payment of the amount in whatever form it be, either by the borrower or even through take over would not attract pre-payment penalty.

11. It is the further submission of the learned counsel that there is no clause in the sanction letter, which mandates the levy of pre-payment penalty and without there being any provision to levy pre-payment penalty even as per the clauses in the Emergency Credit Line Guarantee Scheme, the pre-payment penalty levied by the petitioner is grossly illegal and perverse.

12. It is the further submission of the learned counsel that operational guidelines were issued by the 2nd respondent initially on 14.9.2020 and, thereafter, on 20.10.2021, 30.03.2022 and 6.10.2022 and none of the operational guidelines provided for levy of pre-payment penalty. In fact, not only levy of pre-payment penalty is conspicuously absent, but there is a definitive provision which bars levy of pre-payment penalty. Such being the case, the pre-payment penalty levied by the 1st respondent cannot be sustained, as the guarantee for the receipt of the amount is taken care of by the 2nd respondent.



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13. It is the further submission of the learned counsel that even the counter of the 2nd respondent vindicates the stand of the petitioner, as there is a clear averment in the counter of the 2nd respondent that pre-payment penalty is not chargeable by the MLI in case of repayment of the loan. It is further submitted that the 1st respondent is bound by the terms and conditions of the circular issued by the 2nd respondent as there is a clear prescription therein that the banks have to ensure compliance of all the terms and conditions of the scheme, which compliance, even according to the usage of terminology is mandatory.

14. It is the further submission of the learned counsel that the 1st respondent has not placed any material to substantiate its stand that the circulars issued by the 2nd respondent provide for levy of pre-payment penalty and also no iota of material is submitted by the 1st respondent to show that through the terms and conditions of the sanction, the petitioner has accepted the levy of pre-payment penalty on repayment or take over. There being no such condition, enforcing the pre-payment penalty to enrich the coffers of the 1st respondent is grossly illegal.



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15. It is the further submission of the learned counsel that the stand of the 1st respondent in its counter that the 1st respondent is acting as per the prescribed norms and conditions of its circular dated 16.01.2021, cannot be enforceable in the case of the petitioner as in the present case, the loans were on the basis of the GECL Scheme and the monetary policy of the bank on credit risk management on the basis of which the aforesaid policy guideline has been issued on the basis of the RBI guidelines is not applicable to the case of the petitioner.

16. The operational guidelines framed under the scheme only are applicable to the present case and the circular of the 1st respondent cannot be made applicable to the case on hand, as the loan in the present case is governed by the GECL guidelines. Further, the monetary policy of the bank on credit risk management on the basis of which the alleged pre-payment penalty has been sought to be levied is not placed before this Court.

17. Further, it at all the 1st respondent wants to traverse outside the scope of the scheme, it ought to have clearly spelt out its stand to the petitioner about the pre-payment options and the bank/1st respondent not having informed the



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petitioner about the pre-payment penalty, the 1st respondent is estopped from levying the pre-payment penalty. In this regard, reliance is placed on the decision of the Delhi High Court in **2011 SCC OnLine Del 2645**.

18. It is the further submission of the learned counsel that the supplemental hypothecation agreement filed by the 1st respondent dated 31.3.2021, which provides for pre-payment penalty to which the petitioner is a party though speaks of pre-payment penalty at 2% on the outstanding liability, however, the said liability would cover all the loans that were availed by the petitioner, inclusive of the GECL loan and the GECL loan is covered by the operational guidelines of the scheme and, therefore, the operational guidelines have to be harmoniously read along with the supplemental agreement and the main agreement and in such a case, the application of pre-payment penalty through the supplemental agreement would only be in respect of other loans barring the GECL loans as by the terms and conditions of the scheme, GECL loans are exempted from pre-payment charges.

19. Further, insofar as W.P. No.32421/2023 is concerned, many charges have been debited from the account of the petitioner after closure of the



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accounts, of which there was no intimation to the petitioner before such debits were made. In this regard, learned counsel highlighted that for non-submission of documents for the month of September, 2022, penalty has been levied in the month of February, 2023, that too after the closure of the account.

20. It is the further submission of the learned counsel that all the debits amounting to Rs.52,56,458/- have been debited after all the accounts were closed and after all the dues were paid in full by the petitioner, which clearly shows that the fiduciary relationship was misused by the 1st respondent in an arbitrary and unreasonable manner. The act of debiting of the charges after settlement and closure of the entire loan account, that too after a lapse of many months and not during the time when the account remained operative is against the basic principle of fair practice of banking.

21. It is the further submission of the learned counsel that though the bank claimed that e-mail were sent as early as on 2.8.2022 with regard to the levies due and payable to the bank by the petitioner, however, the said claim itself is hollow in view of the fact that the debits relate to quarterly, half-yearly non-submission of stock and book debts statement for the month ending



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September, 2022. When the due relates to September, 2022, how come an e-mail, purporting to have been sent way back on 2.8.2022, would be relatable to the dues relating to September, 2022 is a deep mystery.

22. It is the further submission of the learned counsel that the act of the 1st respondent is contrary to the guidelines on Fair Practice Code laid down by the Reserve Bank of India dated 5.5.2003, wherein, the guidelines relating to “Post disbursement Supervision”, the Reserve Bank has mandated that if right of set off is to be exercised, borrowers ought to be given notice about the same with full particulars about the remaining claims and documents under which the lenders are entitled to retain such securities until such claim is paid. The said guidelines have a statutory flavour, which would be evident from the ratio laid down by the Apex Court in ***Sardar Associates – Vs – Punjab & Sind Bank (2009 (8) SCC 257)***.

23. Therefore, the charge of pre-payment penalty as also the charges levied and debited are bad and, accordingly, it is submitted that the said impugned letter deserves to be set aside as also the charges and levies made after closure of the accounts of the petitioner deserves to be interfered with and the 1st respondent should be directed to return the sum of Rs.25 Lakhs along with



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interest from the date of deposit till the date of payment and also to refund the charges and levies to the tune of Rs.52,56,458/- along with interest, which have been levied after the closure of the accounts of the petitioner.

24. Per contra, learned counsel appearing for the 1st respondent submitted that the factum of levy of pre-payment penalty was well informed to the petitioner before the closure of the loan and the petitioner having accepted the same and had sought processing of the request, now the petitioner cannot turn back and contend that pre-payment penalty is not leviable as the loan obtained was under GECL and the scheme does not provide for collection of pre-payment penalty.

25. It is the further submission of the learned counsel that pre-payment penalty is not levied if the repayment of the loan amount is through the own sources of the borrower, but if the loan account is transferred to any other bank/financial institution, as per the Head Quarters Circular of the 1st respondent, pre-payment penalty at 2% on the balance sum payable is leviable and the aforesaid fact was clearly made known to the petitioner even before the petitioner opted to transfer the loan to Federal Bank.



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26. It is the further submission of the learned counsel that the bank, through its letter dated 25.1.2023 had informed the petitioner about the pre-payment penalty that is leviable on pre-closure of the loan by taking over of the same by Federal Bank and the petitioner has accepted and acted on the same. Therefore, the petitioner cannot now claim that pre-payment penalty is not leviable on loans availed under the GECL Scheme.

27. It is the further submission of the learned counsel that the decision relied on by the petitioner is not applicable to the facts of the present case, as in the said case, the circular, which was the basis for levying the pre-payment penalty was not brought to the knowledge of the petitioner therein, but in the present case, the petitioner was made aware of the circular and the levy of pre-payment penalty and, therefore, the benefit of the said decision would not be available to the petitioner herein.

28. It is the further submission of the learned counsel that the decision in ***Hatsun Agro Products Ltd. – Vs – Industrial Development Bank of India (C.S. No.513/2001 dated 14.10.2009)*** would squarely stand attracted as the borrower,



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who voluntarily enters into the contract with the bank and agreed the general terms and conditions, is bound by the terms of the contract and cannot claim that no pre-payment penalty is leviable on pre-closure.

29. It is the further submission of the learned counsel that the timelines for submission of half-yearly bood debt statement as stipulated have not been complied with the company, which had incurred penalty and likewise, where the account is taken over by other banks/financial institutions, the concessions granted/extended for the last one year was recovered before closure, which is provided for in the sanction letter. Therefore, the levies made in the account of the petitioner, which is the subject matter of W.P. No.32421/2023 are just and reasonable and on the basis of the record and the same warrants no interference.

30. Counter has been filed on behalf of the 2nd respondent and based on the said counter, learned counsel appearing for the 2nd respondent submitted that in respect of the credits given under the Emergency Credit Line Guarantee Scheme Operational Guidelines, as per clause 10 (1)((xi) and (xiv), no pre-penalty is chargeable by the MLI in the case of early repayment by the borrower insofar



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as loans given under GECL. However, with regard to other loans and other interest disputes, it is submitted that it is between the bank and the borrower and the 2nd respondent is in no way connected with the said transaction.

31. This Court gave its careful consideration to the submissions advanced by the learned counsel appearing on either side and perused the materials available on record, as also the decisions relied on, on behalf of the respective parties.

32. There is no quarrel with the fact that the petitioner had obtained two types of loans from the 1st respondent, viz., i) working capital to the tune of Rs.40 Crores; and ii) GECL Loans in two lots to the tune of about Rs.8 Crores and Rs.4.5 Crores. The main grievance of the petitioner in the present case relates to the pre-payment penalty charged by the 1st respondent on the two loans given under the GECL Scheme to the tune of Rs.8 Crores and Rs.4.5 Crores and the levies/charges made by the 1st respondent towards non-submission of documents at the relevant point of time with regard to the aforesaid two loans.

33. Therefore, the issue falls within a very narrow compass, viz.,



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Whether pre-payment penalty stands attracted in respect of the two loans advanced under the GECL Scheme.

34. There is no quarrel that the pre-payment penalty, which is put in issue relates to the amounts advanced under the GECL Scheme. The excerpts of the GECL Scheme are provided in the typed-set of documents and much reliance is placed on clause 10 (1)(x) and (xiv) by the petitioner to contend that no pre-payment penalty could be charged for the amounts given as loan under the GECL Scheme, which is also admitted by the 2nd respondent in its counter. For better appreciation, the relevant clause 10 (1)(x) and (xiv) are quoted hereunder :-

“10 (1). Nature of account and Tenor of Credit under the Scheme

** * * * **

(x) No pre-payment penalty shall, however, be charged by the MLIs in case of early repayment.

** * * * **

(xiv) Pre-payment of facilities to be allowed at no additional charge to the borrower.”

35. It is borne out by record that the two loans, which is the subject matter of the present *lis* on which pre-payment penalty is applied are loans, which were advanced under the GECL Scheme. Under the GECL Scheme, the amount lent by

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the MLIs is guaranteed by the 2nd respondent and, therefore, there is no principal loss to the banks even if there be a crisis situation where the borrower fails to pay the loan. The loan is provided to the borrower, who are genuine business entities to off-set their financial shortfall due to COVID-19 pandemic.

36. The two loans were given to the petitioner under the GECL Scheme and it is admitted by the 1st respondent even in its letter dated 29.04.2023 in and by which pre-closure charges have been levied on the two amounts. The 1st respondent relies on its Head Quarters circular to claim that 2% pre-payment penalty is applicable and that the petitioner was informed of the same at the time of pre-closure. However, the main point that is to be decided is whether the said clause is provided for in the sanction letter or in the terms and conditions annexed to the sanction letter, as the said loans are not part of the general loans, which is given by banks to the borrower, but are emergency loans, which have been guaranteed by the 2nd respondent and paid to the 1st respondent under the GECL Scheme.

37. The sanction letters dated 31.03.2021 and 03.02.2022, which are the loans given under the GECL Schemes for the purpose of providing liquidity



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support to the firms affected by the COVID-19 pandemic. The sanction order clearly reveals that the said loan is given under the GECL Ver.2 as per HO Cir 902/2020, 926/2020 and also under the GECL 2.0 (Extension) in and by which a sum of Rs.8 Crores and Rs.4.5 Crores have been sanctioned. The fact that the two loans have been granted under the GECL Scheme, necessarily, the said loans would be guided by the terms and conditions stipulated in the said scheme and it cannot be on the general terms and conditions relating to any loan advanced by the bank. Only to that end, there is a clear mention of the terms and conditions in the scheme, which clearly prescribes under clause 10 (1)(x) that no pre-payment penalty is to be charged by the MLIs in case of early repayment. Further, clause 10 (1)(xiv) also provides that the MLIs are to allow pre-payment of facilities at no additional charge to the borrower. The above two clauses clearly implies that no pre-penalty charge is to be levied in case of early repayment, meaning that the said payment is from the own sources of the borrower and that pre-payment facilities to be allowed at no additional charge would mean that the borrower can switch the bank/financial institution. This would be clearly relatable to all the loans that have been advanced in terms of the GECL Scheme and in such cases, no pre-payment penalty is imposable on any repayment or usage of pre-payment facilities by the borrower.



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38. In the present case, the petitioner had obtained the sum of Rs.8 Crores and Rs.4.5 Crores under the GECL Scheme, while a sum of Rs.40 Crores was obtained as normal loan as working capital. The petitioner had transferred the loan account from the 1st respondent to Federal Bank, which had taken over the credit facilities and had repaid the loan advanced by the 1st respondent and in such a case, the benefits of the scheme would be squarely be available to the petitioner and, therefore, no pre-payment penalty would be applicable insofar as the loans advanced under GECL Scheme and the pre-payment penalty of 2% directed to be paid by the petitioner relating to the loans advanced under the GECL Scheme is not leviable as per the terms of the Scheme and to that extent the letter issued by the 1st respondent and the consequential payment made by the petitioner to the tune of Rs.25,00,000/- cannot be sustained and the same deserves to be interfered with.

39. However, it should not be lost sight of that the loan granted under GECL (Extension) Scheme to the tune of Rs.4.5 Crores vide the sanction order dated 3.2.2022 is concerned, the sanction order provides that where the account is taken over by other Banks/FIs, concessions in ROI/Charges extended for the



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last one year should be recovered before closure of the account. The sanction order not only contains the said provision, but the same has also been accepted by the petitioner by accepting the sanction order. In such a case, the said provision would be enforceable by the 1st respondent against the petitioner only in respect of the GECL (Extension) loan of Rs.4.5 Crores and in such view of the matter any concessions in ROI/charges given to the petitioner over the last one year before the takeover of the loan account by other Banks/FIs could be recovered by the 1st respondent before closing the said loan.

40. The decision in *Hatsun Agro Products case (supra)*, relied on by the 1st respondent, leans more in favour of the petitioner, wherein, it has been held thus:-

“39. It cannot be said that no loss of income was suffered by the defendant, on account of pre-closure, as the plaintiff, public limited company voluntarily entered into a contract with the defendant, a Government undertaking and agreed for the general terms and conditions stipulated therein, the defendant cannot specify the actual loss of income, since it is not related only with the plaintiff company. When there is no illegality in the terms of contract either on the ground of public policy or otherwise, when there is evidence to show that the contract was entered into by the plaintiff without coercion, the claim of



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the defendant based on the agreement not to lend the amount claimed by the plaintiff could be justified in law. Accordingly, the third issue is answered.”

41. In the abovesaid decision, there was a specific agreement between the parties and in that context, the general terms and conditions were held to be in favour of the lender. However, in the present case, as pointed out above, there are no explicit terms and conditions relating to the pre-payment penalty in the sanction order and that being the case, in the absence of explicit understanding and acceptance by the parties to the contract the levy of pre-payment penalty is erroneous.

42. Though the 1st respondent relies on the supplemental hypothecation agreement dated 31.03.2021 wherein it is submitted that the petitioner has accepted to pay pre-payment penalty at the rate of 2% p.a. on the outstanding liability in case of foreclosure by transfer to other banks/financial institutions, however, it is to be pointed out that the said agreement would not be binding for the reason that Condition No.11 under the head “Other Conditions” in the sanction order dated 31.03.2021 clearly prescribes that the terms and conditions of the scheme contained various HO circulars (including Annexures) requires the



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compliance of the terms and conditions by the MLIs, which clearly shows that the terms and conditions prescribed, including no pre-payment penalty for repayment or utilization of pre-payment facilities to be collected and such being the case, the 1st respondent is bound by the terms of the Scheme and it is not entitled to collect any pre-payment penalty either on the basis of any circular issued by the Head Quarters of the Bank or on the basis of any supplemental agreement entered into between the petitioner and the 1st respondent.

43. Insofar as the levies relating to charges for non-submission of certain documents within the prescribed time is concerned based on which an amount of Rs.52,56,458/= has been debited from the account of the petitioner, the main grievance canvassed by the petitioner is that the said amount has been debited after closure of the account, that too without intimation to the petitioner, which is *per se* impermissible.

44. A careful perusal of the entire materials in the typed set of documents reveal that the sum of Rs.40 Crores has been granted as working capital loan to the petitioner on 30.09.2021. In the said sanction memorandum dated 30.09.2021, there is provision for collection of penalty for non-compliance of



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sanction terms, delayed payment of interest/instalment, etc. The relevant provision is quoted hereunder :-

“a. All the existing penal provisions shall continue in respect of non-compliance of sanction terms, delayed payment of interest/instalments, delayed submission of QOS/HOS, audited financial papers etc.”

45. Further under the Post-Disbursement Conditions relating to the very same loan account, the following provision is provided :-

“The bank shall charge penal interest under the following circumstances :-

- *Default/irregularity/overdue in the accounts.*
- *Non-submission/delayed submission of quarterly information.*
- *Default in observance of borrowing terms and conditions of sanction.*
- *Any other eventuality/situation to be decided by bank.”*

46. The above provisions clearly portray that where the petitioner has not complied with the sanction terms, there is delayed payment of interest/instalments, delayed submission of quarterly and half yearly information, audited financial papers, etc., the penal provisions as is in existence



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will continue and be attracted. Therefore, where in relation to the sanction of loan to the tune of Rs.40 Crores, there is non-compliance of the provisions as aforesaid, which has been agreed between the parties, then the petitioner is liable to pay the penal charges towards the said non-compliance.

47. However, the other two loans, which have been given under the GECL Scheme, there is a conspicuous absence of the aforesaid provision in the sanction orders given towards the said loans and in the said cases, the non-compliance with the aforesaid condition cannot result in any penalty being levied on the petitioner. Therefore, any penalty collected for non-compliance with regard to the loans granted under the GECL Scheme would have to be necessarily set aside.

48. However, what is material to be noted here is the fact that there is no specific material to suggest any breakup of the amount that has been levied towards the different loan accounts, viz., working capital and GECL Scheme. The details provided by the parties is only a collective data relating to the charges that have been levied for the defaults committed by the petitioner and there is no specific details as to what is the exact amount collected for the various defaults committed by the petitioner over the three loans. As held above, while



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the petitioner is liable to pay the amount for the said default collected in respect of the loan of Rs.40 Crores, which is sanctioned towards working capital, however, the petitioner is not liable to pay any amount for any default in respect of the loans sanctioned under the GECL Scheme. However, as pointed above, no break up is given towards the default amount under the different loan accounts and only a consolidated amount is given. Therefore, this Court cannot give any specific direction for refund of any particular amount, except giving liberty to the petitioner to work out its remedy for getting refund of the amount, if any, collected towards the loan granted under the GECL Scheme.

48. For the reasons aforesaid, the writ petitions ordered in following the following terms with the following directions :-

- i) *No pre-payment penalty can be charged on the take over of loans, which have been granted under the GECL Scheme to the petitioner and, therefore, W.P. No.19596/2023 stands allowed. However, in respect of the GECL (Extension) loan of Rs.4.5 Crores any concessions in ROI/charges given to the petitioner over the last one year before the takeover of the loan account*



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by other Banks/FIs shall be recovered by the 1st respondent from the petitioner. Accordingly, the 1st respondent is directed to deduct the amount, if any, towards any concessions in ROI/charges given to the petitioner over the last one year before the takeover of the loan account by other Banks/FIs from the amount of Rs.25,00,000/= (Rupees Twenty Five Lakhs only) which has been deposited pursuant to the orders of this Court, and refund the balance amount to the petitioner within a period of four weeks from the date of receipt of a copy of this order.

- ii) W.P. No.32421 of 2023 is disposed of by holding that no charge/levy is permissible for non-compliance of any of the terms of sanction or delayed submission of Quarterly or Half Yearly Accounts, etc., insofar as loans advanced under GECL Scheme but as no breakup of the amounts have been provided, which is alleged to have been debited from the account of the petitioner towards the aforesaid non-compliance, the petitioner is granted liberty to work out its remedy for getting refund of the amount, if any, collected towards the loan granted under the GECL Scheme. However, levy/charge is permissible for non-compliance of any of the terms of sanction or delayed submission of Quarterly or Half Yearly Accounts insofar as the loan pertaining to working capital to the tune of Rs.40 Crores.*



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W.P. Nos.19596-32421/2023

iii) *Consequently, connected miscellaneous petition is closed.*

There shall be no order as to costs.

12.12.2025

Index : Yes / No

GLN

To

1. M/s.Canara Bank
Mid-Corporate Branch
No.70/74, II Street
60 Feet Road, J.G.Nagar
Tirupur 641 602.
2. National Credit Guarantee Trustee Co. Ltd.
Swavalamban Bhavan, C-11, G Block
Bandra Kurla Complex
Bandra E Mumbai 400 051.



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W.P. Nos.19596-32421/2023

M.DHANDAPANI, J.

GLN

**PRE-DELIVERY ORDER IN
W.P. NOS.19596 & 32421 OF 2023**

**Pronounced on
12.12.2025**



W.P.Nos.19596 and 32421 of 2023

W.P.Nos.19596 and 32421 of 2023

M.DHANDAPANI, J.

The matters are listed today under the caption “for being mentioned” at the instance of the learned counsel appearing for the petitioner.

2. This Court perused the common order dated 12.12.2025 and finds that in the numbering of paragraphs, No.48 has been repeated twice and accordingly, the last paragraph of the said order dated 12.12.2025 which is numbered as paragraph No.48, shall stand corrected as paragraph No.49.

3. Further, in paragraph Nos.38 and 49(i) of the common order dated 12.12.2025, instead of Rs.25,80,000/- (Rupees Twenty Five Lakhs Eighty Thousand Only), there is a typographical error mentioning the amount as Rs.25,00,000/- (Rupees Twenty Five Lakhs Only) and there is no direction to pay the accrued interest. Therefore, it is prayed that necessary correction



W.P.Nos.19596 and 32421 of 2023

may be made to the said order dated 12.12.2025 and fresh order copy may be issued.

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4. Considering the above, paragraph No.38 and renumbered paragraph No.49 of the said order dated 12.12.2025 shall be replaced as follows:-

“ 38. In the present case, the petitioner had obtained the sum of Rs.8 Crores and Rs.4.5 Crores under the GECL Scheme, while a sum of Rs.40 Crores was obtained as normal loan as working capital. The petitioner had transferred the loan account from the 1st respondent to Federal Bank, which had taken over the credit facilities and had repaid the loan advanced by the 1st respondent and in such a case, the benefits of the scheme would be squarely be available to the petitioner and, therefore, no pre-payment penalty would be applicable insofar as the loans advanced under GECL Scheme and the pre-payment penalty of 2% directed to be paid by



W.P.Nos.19596 and 32421 of 2023

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the petitioner relating to the loans advanced under the GECL Scheme is not leviable as per the terms of the Scheme and to that extent the letter issued by the 1st respondent and the consequential payment made by the petitioner to the tune of Rs.25,80,000/- (Rupees Twenty Five Lakhs Eighty Thousand only) cannot be sustained and the same deserves to be interfered with.

49. For the reasons aforesaid, the writ petitions ordered in following the following terms with the following directions :-

i). No pre-payment penalty can be charged on the take over of loans, which have been granted under the GECL Scheme to the petitioner and, therefore, W.P.No.19596/2023 stands allowed. However, in respect of the GECL (Extension) loan of Rs.4.5 Crores any concessions in ROI/charges given to the petitioner over the last one year before the takeover of the loan account by other Banks/FIs shall be recovered by the 1st respondent from the petitioner.



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W.P.Nos.19596 and 32421 of 2023

Accordingly, the 1st respondent is directed to deduct the amount, if any, towards any concessions in ROI/charges given to the petitioner over the last one year before the takeover of the loan account by other Banks/FIs from the amount of Rs.25,80,000/= (Rupees Twenty Five Lakhs Eighty Thousand only) which has been deposited pursuant to the orders of this Court, and refund the balance amount along with accrued interest, if any, to the petitioner within a period of four weeks from the date of receipt of a copy of this order.

ii) W.P. No.32421 of 2023 is disposed of by holding that no charge/levy is permissible for non-compliance of any of the terms of sanction or delayed submission of Quarterly or Half Yearly Accounts, etc., insofar as loans advanced under GECL Scheme but as no breakup of the amounts have been provided, which is alleged to have been debited from the account of the petitioner towards the aforesaid non-compliance, the petitioner is granted liberty to work out its remedy for getting refund of the amount, if any, collected towards the loan granted under the GECL Scheme. However, levy/charge is permissible for non-compliance of any



W.P.Nos.19596 and 32421 of 2023

of the terms of sanction or delayed submission of Quarterly or Half Yearly Accounts insofar as the loan pertaining to working capital to the tune of Rs.40 Crores.

(iii) Consequently, connected miscellaneous petition is closed. There shall be no order as to costs.

5. Registry is directed to carry out necessary correction in the common order dated 12.12.2025 and issue fresh order copy to the parties.

22.01.2026

NCC: Yes / No

Index : Yes / No

Speaking Order : Yes / No

ssb



W.P.Nos.19596 and 32421 of 2023

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To

- 1.M/s.Canara Bank,
Mid-Corporate Branch,
No.70/74, II Street, 60 feet road,
J.G.Nagar,
Tirupur-641 602.
- 2.National Credit Guarantee Trustee Company Limited,
Swavalamban Bhavan,
C 11, G Block,
Bandra Kurla Complex,
Bandra E Mumbai-400 051.



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W.P.Nos.19596 and 32421 of 2023

M.DHANDAPANI, J.

ssb

W.P.Nos.19596 and 32421 of 2023

22.01.2026