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IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED: 19-08-2025

CORAM

THE HONOURABLE MR JUSTICE N. ANAND VENKATESH

WP No. 26703 of 2025
and
WMP Nos. 30031 & 30032 of 2025

1.M/s.Inno Infra Private Limited
Represented by its Director,
Mr.Sajid Ahmed Sathak Abdul Kadir,
No.6, Crown Court, (Ground Floor),
No.128, Cathedral Road, Gopalapuram,
Chennai -600 086.

2.Mr.Sajid Ahmed Sathak Abdul Kadir,
3.R.Masilamani,
4.Ameer Hafsa,
5.Pankajam,
6.R.Ravishankar,

7.M/s.Inno Estates Pvt Ltd
Represented By Its Authorised
Signatory, No. 6, Crown Court (Ground
Floor), No.128, Cathedral Road,
Gopalapuram, Chennai -600 086.

8.M/s.Inno Development Management
Company LLP,

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Represented By Its Authorised
Signatory, No.6, Crown Court (Ground
Floor), No.128, Cathedral Road,
Gopalapuram, Chennai -600 086.

9.M/s.Broad Field Developers Pvt Ltd,
Represented By Its Authorised
Signatory, No.6, Crown Court (Ground
Floor), No.128, Cathedral Road,
Gopalapuram, Chennai -600 086.

10.Rajamannar Ramasamy,
Represented By Its Authorised
Signatory, No. 6, Crowm Court(ground
Floor), No. 128,cathedral Road,
Gopalapuram,chennai -600 086.

Petitioner(s)

Vs

1.Indian Overseas Bank
Thirumazhisai Branch, No.162/1,
Thiruvallur High Road, Thiruzachisai,
Chennai -600 124.
Also At, Asset Recovery Management
Branch, Third Floor, Central Office
Annex Building, No.763, Anna Salai,
Chennai-600 002.

2.The Reserve Bank Of India,
Fort Glacis, 16, Rajaji Road, Fort St.
George, Chennai -600 001.

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Respondent(s)

PRAYER

Call for the records of the 1st Respondent culminating in FMR No.IOBK-2103-0084 dated 29.09.2021, classifying the Loan Account No.252402000000500 as 'FRAUD' and quash the same as illegal, arbitrary and against the settled principles of law.

For Petitioner(s): Mr.Aasim Shehzad
M/s.BFS Legal

For Respondent(s): M/s.M.L.Ganesh,
Standing Counsel
For R1
Mrs.Rita Chandrasekar
Counsel
For M/s.Aiyar And Dolia
For R2

ORDER

This writ petition has been filed challenging the proceedings of the 1st respondent dated 29.09.2021 classifying the loan account of the petitioners as fraud.

2. When the writ petition came up for hearing on 22.07.2025, this Court passed the following orders:

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"Mr.M.L.Ganesh, learned Standing Counsel, takes notice for first respondent.

2. Mr.T.Poornam, learned Standing Counsel, takes notice for second respondent.

3. The main grievance expressed by the petitioners is that the first respondent has unilaterally reported the loan amount that was held in the name of the first petitioner as fraud to the Reserve Bank of India on 29.09.2021 without providing an opportunity of personal hearing. That apart, the first respondent has also proceeded to auction the properties belonging to the petitioners and the petitioners came to know of the same only after verification of the encumbrance certificate. The petitioners had offered for OTS multiple times and ultimately, since nothing fructified, the petitioners filed W.P.No.14003 of 2024. This writ petition was disposed of by this Court on 10.06.2024 in the following terms:

> *"2. The petitioners have challenged the sale notice dated 01.05.2024 issued by the first respondent Bank. This Court, while entertaining the writ petition, granted an order of stay and hence the sale had not taken place as per schedule. Since the petitioners have challenged the sale notice and the sale had not taken place pursuant to*

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the interim order, the prayer in the writ petition has now become infructuous.

3. The learned counsel appearing for the petitioners, however, states that the petitioners have given a proposal to the first respondent Bank for one time settlement on 06.06.2024 and hence he pleads that the first respondent may be directed to consider the representation on the one time settlement proposal.

4. Considering the submission of the learned counsel for petitioners that the petitioners have so far repaid a sum of Rs.28.50 Crores, out of the loan amount, which was just Rs.19.50 Crores and that the other properties of the petitioners have already been sold for a sum of Rs.13.75 Crores, this Court is inclined to dispose of the writ petition with a direction to the first respondent Bank to consider the one time settlement proposal submitted by the petitioners on 06.06.2024 in accordance with law and the Reserve Bank of India guidelines and communicate the decision thereof to the petitioners within a period of twelve weeks from the date of receipt of a copy of this order. Till such time the first respondent takes a decision on the one time settlement proposal submitted by the petitioners, the first respondent Bank shall not proceed further with the sale."

4. The petitioners came to know for the first time that the first respondent has unilaterally declared the loan amount as fraud on 29.09.2021 after receiving the copy of the First Information Report registered on 08.05.2024. That apart, a show cause notice dated 15.04.2025 was issued by the first respondent to the petitioner for the very same cause of

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action alleging fraud. A reply has been given to this show cause notice by the petitioners on 07.05.2025. It is under these circumstances, the present writ petition has been filed before this Court challenging the impugned classification made by the first respondent classifying the loan amount as fraud dated 29.09.2021.

5. Learned counsel for petitioners is directed to serve notice and also the papers on Mr.T.Poornam, learned Standing Counsel, appearing for second respondent.

Post this writ petition under the caption 'for orders' on 05.08.2025."

3. The matter was again listed for hearing on 05.08.2025 and the following order was passed by this Court:

A counter affidavit has been filed by the first respondent Bank. The first respondent Bank has taken a stand that pursuant to the judgment of the Apex Court in Rajesh Aggarwal's case, a meeting was organized on 04.12.2024 and pursuant to the same, a

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decision was taken to issue a show cause notice to the borrowers so as to give them an opportunity to explain their case and thereafter to take a final decision either to reclassify/declassify the account as fraud. Accordingly, show cause notice was issued to the petitioners on 15.04.2025. Hence the learned Standing Counsel for first respondent, relying upon the counter, submitted that opportunity is going to be given to the petitioners as directed in the judgment of the Apex Court in Rajesh Aggarwal's case.

2. This Court wants to understand the effect of the declaration that has already been made as fraud on 29.09.2021.

3. The learned Standing Counsel appearing on behalf of the Reserve Bank of India seeks for some time to take instructions in this regard.

4. Post this writ petition on 19.08.2025 under the same caption."

4. Heard Mr.Aasim Shehzad, learned counsel for the petitioner, Mr.M.L.Ganesh, learned Standing Counsel appearing on behalf of the 1st

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respondent and Mrs.Rita Chandrasekar, learned Counsel appearing on behalf of the 2nd respondent.

5. The learned Standing Counsel appearing on behalf of the 1st respondent / Bank submitted that by virtue of the judgment of the Hon'ble Apex Court in the case of ***State Bank of India and Others vs. Rajesh Agarwal and Others*** reported in ***(2023) 6 SCC 1,*** a fresh show cause notice has been issued to the petitioners on 15.04.2025. The petitioners will be given an opportunity and the procedure will be strictly followed and a decision will be taken by the 1st respondent / Bank. The learned Standing Counsel therefore submitted that in light of the this development, the earlier proceedings dated 29.09.2021 has become redundant.

6. In reply to the above submission, the learned counsel for the petitioners brought to the notice of this Court the following paragraphs in the notice which is extracted hereunder:

"As per RBI guidelines, a Show Cause Notice is

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> *issued against whom allegation of Fraud is being examined. The purpose of this notice is to allow you to explain the circumstances leading to such allegations and also justify why your account/ name should not be continued as fraud."*

7. The learned counsel for the petitioners submitted that the show cause notice has been issued with a specific reference to the earlier decision taken by the 1st respondent / Bank to declare the account as fraud. That is the reason why the scope of inquiry has been mentioned to the effect that the 1st respondent will examine and see if there is a justification for continuation of the account of the petitioners as fraud. The learned counsel submitted that if that is the scope of the show cause notice, the same is not in line with the stand taken by the 1st respondent / Bank following the judgment of the Hon'ble Apex Court in *Rajesh Agarwal's* case (cited *supra*).

8. This Court, considering the submissions made on either side and the materials available on record, finds that in the light of the stand taken by the 1st

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respondent / Bank, the only issue to be considered is with regard to the scope of the show cause notice that has now been issued by the 1st respondent / Bank dated 15.04.2025.

9. As already noticed by this Court, the Bank account of the petitioners was already declared as fraud on 29.09.2021. However, by virture of the judgment of the Hon'ble Apex Court in *Rajesh Agarwal's* case (cited *supra*), the 1st respondent / Bank has decided to issue show cause notice to the petitioners and follow the procedure. In the light of this decision taken by the 1st respondent / Bank, the earlier declaration made on 29.09.2021 to the effect that the account of the petitioners declared as fraud, becomes redundant and inoperative.

10. The show cause notice dated 15.04.2025 must be construed as a notice issued to the petitioners to submit their explanation and to enable the 1st respondent / Bank to take a decision afresh with respect to the account of the petitioners. If the Bank has issued the show cause notice to justify their earlier decision to declare the account of the petitioners as fraud, it would be a wasteful

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exercise, as the Bank would only be proceeding to deal with the explanation with the preconceived mind to justify their earlier decision. This would clearly violate the principles of natural justice.

11. Therefore, the above clause that has been extracted from the notice must be understood as a fresh notice issued to the petitioners to afford them with a fresh opportunity of hearing and to follow the procedure strictly in accordance with law and Master Circular issued by the Reserve Bank of India (RBI) dated 23.12.2024, as per the judgment of the Hon'ble Apex Court in *Rajesh Agarwal's* case (cited *supra*) and to take a fresh decision. Only if such a meaning is assigned to the show cause notice, some purpose will be served in issuing the notice and affording an opportunity to the petitioners.

12. In the light of the above clarification given by this Court, it is made clear that the earlier decision taken by the 1st respondent dated 29.09.2021 declaring the account as fraud has become redundant. The show cause notice dated 15.04.2025 must be construed as a fresh notice issued to the petitioners in

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the light of the judgment of the Hon'ble Apex Court in *Rajesh Agarwal's* case (cited *supra*). The petitioners have also given their explanation for the show cause notice through their reply dated 07.05.2025. In view of the same, the 1st respondent / Bank is expected to strictly follow the Master Circular issued by the Reserve Bank of India (RBI) dated 23.12.2024 and the judgment of the Hon'ble Apex Court in *Rajesh Agarwal's* case (cited *supra*) and take a decision as expeditiously as possible.

13. This Writ Petition is disposed of in the above terms. No costs. Consequently, the connected Miscellaneous Petitions are closed.

19-08-2025

Index:Yes/No
Speaking/Non-speaking order
Internet:Yes
Neutral Citation:Yes/No

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To

1.Indian Overseas Bank
Thirumazhisai Branch, No. 162/1,
Thiruvallur High Road, Thiruzachisai,
Chennai -600 124.Also At, Asset
Recovery Management Branch, Third
Floor, Central Office Annex Building,
No.,Anna Salai,Chennai-600 002.

2.The Reserve Bank Of India,
Fort Glacis, 16, Rajaji Road, Fort St.
George, Chennai -600 001.

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N.ANAND VENKATESH J.

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