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WP.No.23966 of 2025

In the High Court of Judicature at Madras

Reserved on 04.8.2025	Delivered on : 07.8.2025
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Coram :

The Honourable Mr.Justice N.ANAND VENKATESH

Writ Petition No.23966 of 2025
& WMP.No.26950 of 2025

S.Goutham

...Petitioner

Vs

IDBI Bank Ltd., No.115,
Anna Salai, P.B.No.805,
Saidapet, Chennai-15.

...Respondent

PETITION under Article 226 of The Constitution of India praying for the issuance of a Writ of Mandamus directing the respondent bank to provide the petitioner the copy of forensic audit report before passing any order pursuant to the show cause notice dated 01.11.2024 in Ref No.IDBI/NMG/CKIPL/2024-25/11/06 and all proceedings connected and in relation thereto.

For Petitioner : Mr.I.Abrar Mohammed Abdullah
For Respondent : Mr.T.Ravichandran



WP.No.23966 of 2025

ORDER

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This writ petition has been filed seeking for a direction to the respondent bank to provide a copy of the forensic audit report before passing final orders pursuant to the show cause notice issued to the petitioner dated 01.11.2024.

2. Heard both.

3. The facts leading to filing of this writ petition are as follows :

(i) The petitioner is the erstwhile director of one M/s.Classic Knits India Private Limited. For securing a working capital loan facility, he stood as a personal guarantor along with his mother - one Mrs.Parvathavarthini and his sister - one Ms.Pavithra, who were guarantors. The mother of the petitioner and his sister executed a guarantee agreement dated 22.4.2013 to the respondent bank. The petitioner also executed a guarantee agreement in favour of the respondent bank. As per the said guarantee agreements, the details of properties owned by them were furnished.

(ii) The loan facility was availed from multiple banking arrangement and as a result, two memorandum of deposit of title



WP.No.23966 of 2025

WEB COPY

deeds were executed respectively dated 12.1.2018 and 16.3.2018 in respect of certain properties. The petitioner also undertook that the properties that were given as securities would not be alienated without getting prior approval of the respondent bank.

(iii) It is alleged that the respondent bank later found that two items of the properties, which were given as securities, were settled by the petitioner without informing the respondent bank. In view of the same, the impugned show cause notice dated 01.11.2024 came to be issued to the petitioner and his family members as to why they should not be classified as fraud. Pursuant to that, the petitioner submitted his explanation. Not being satisfied with the reasons given by the petitioner, an order dated 28.2.2025 was passed by the respondent bank classifying all of them as fraud under the Reserve Bank of India (RBI) Master Directions on Fraud Risk Management in Commercial Banks (including Regional Rural Banks) and All India Financial Institutions dated 15.7.2024.

(iv) Aggrieved by that, earlier, the petitioner filed W.P.No.13137 of 2025 before this Court and it was allowed on 21.4.2025 in the following terms :



WEB COPY



WP.No.23966 of 2025

"11. The principles of natural justice is not a straight jacket formula and the Court will consider with particular reference to the facts and circumstances of the case. It may not be a case under all circumstances, personal hearing need be granted. However, in this case, considering the nature of allegations that is made and the nature of defence that is taken, I am of the view that an opportunity of personal hearing would complete, if only a personal hearing is granted as enumerated by the Division Bench of the Delhi High Court.

12. In view thereof, I am inclined to accept the contention that is made by the learned counsel for the petitioner. This Writ Petition is allowed on the following terms,

(i) The impugned order dated 28.02.2025 shall stand quashed;

(ii) The petitioner shall be afforded a personal hearing by the concerned committee of the respondent – Bank and it would be open for the respondent bank to pass fresh orders thereon, after considering the submissions that are made by the petitioner."

(v) Subsequently, vide letter dated 31.5.2025 issued by the Deputy General Manager, NPA Management Group of the respondent bank, the petitioner was called upon to attend a personal hearing before the Fraud Examination Committee on 06.6.2025. Further, the



WP.No.23966 of 2025

WEB COPY

petitioner, through a communication dated 17.6.2025, sought for a copy of the forensic audit report in order to enable him to effectively submit a reply and make submissions during the personal hearing. Since the same was not acted upon, the present writ petition has been filed before this Court.

4. The Deputy General Manager, NPA Management Group of the respondent bank filed a counter affidavit wherein the following stand has been taken :

The respondent bank has taken a preliminary objection on the ground that the respondent bank will not come within the parameters under Article 226 of The Constitution of India. Therefore, the writ petition is not maintainable. The copy of the forensic audit report that has been sought for by the petitioner is not even relied upon by the respondent bank during the proceedings and hence, furnishing a copy of the same does not arise. Apart from that, the respondent bank has also touched upon the merits of the case and given reasons for proceeding against the petitioner to declare him as fraud. Ultimately, the respondent bank sought for dismissal of this writ petition.



WP.No.23966 of 2025

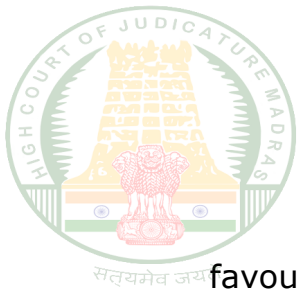
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5. The learned counsel for the petitioner made the following submissions :

(a) When the earlier show cause notice was issued on 14.8.2024, there was a reference made to the forensic audit report dated 22.2.2024 and by furnishing a copy of the same to the petitioner, no prejudice will be caused to the respondent bank. The very basis, on which, the proceedings have been initiated, touches upon Clause 23 of the guarantee agreement dated 03.7.2017 - an unregistered document, which purports to create interest/charge over the immovable properties.

(b) Thus, for an unsecured loan, reliance is placed upon this document, which is compulsorily registerable and thereby an attempt is made to convert the loan transaction into a secured loan. The very guarantee agreement itself is unlawful and void under Section 23 of the Indian Contract Act.

(c) The respondent bank filed two suits in O.S.Nos.1111 and 1113 of 2024 on the file of the District Munsif Court, Coimbatore against the petitioner and two others seeking for the relief of declaration to declare that the settlement deeds namely doc.Nos.6390 and 6391 of 2019 both dated 05.7.2019 executed by the petitioner in



WP.No.23966 of 2025

WEB COPY

favour of one Mrs.Parvathavarthini, who is none other than his mother and the settlement deeds namely doc.Nos.6607 and 6608 of 2019 both dated 10.7.2019 executed by the said Mrs.Parvathavarthini in favour of one Mrs.V.Muthulakshmi, who is none other than the petitioner's maternal grandmother and registered on the file of the Sub-Registrar, Gandhipuram, are sham and nominal and are not binding on the respondent bank and to restrain the defendants therein from alienating or encumbering the suit properties.

(d) Even to ascertain as to whether the transactions can be construed as fraud, a decree that has to be passed in the pending suits will have a relevance. Hence, the very proceedings initiated under the RBI Circular is without jurisdiction.

6. On the contrary, the learned Standing Counsel appearing for the respondent bank submitted as follows :

The above submissions made are beyond the scope of the relief sought for in this writ petition. The so-called forensic audit report sought for by the petitioner is not at all relied upon by the respondent bank and there was a reference to such a report only in the show cause notice that was issued earlier to include the petitioner in the list



WP.No.23966 of 2025

WEB COPY

of wilful defaulter. That cannot be a ground for the petitioner to seek for a copy of the said report.

7. This Court has carefully considered the submissions of the learned counsel on either side and perused the materials available on record.

8. In the considered view of this Court, the copy of the forensic audit report that was sought for by the petitioner does not even find a reference in the show cause notice dated 01.11.2024. Such a reference was made only in the earlier show cause notice dated 14.8.2024 for initiating proceedings to include the petitioner in the list of wilful defaulter as per the guidelines of the RBI. Therefore, the copy of the forensic audit report, which is not even relied upon by the respondent bank, need not be furnished.

9. The complaint against the petitioner is very specific and the petitioner has to submit a reply regarding the same. He must be given an opportunity of hearing as was directed by this Court in the earlier order dated 21.4.2025 passed in W.P.No.13137 of 2025. All these



WP.No.23966 of 2025

WEB COPY

grounds, which were taken by the learned counsel for the petitioner touching upon the pending suits and the sustainability of the reliance placed on an unregistered document, are matters to be considered by the Authority, who is dealing with the proceedings initiated by the respondent bank to declare the petitioner as fraud. It is not necessary for this Court to go into those grounds, which were raised by the learned counsel for the petitioner.

10. The issue regarding the challenge made to the guarantee agreement is matter to be agitated in the pending suits and this Court cannot render any finding in a writ petition.

11. In the light of the above discussions, the copy of the forensic audit report sought for by the petitioner is irrelevant since the respondent bank is not relying upon that report even as per the subsequent show cause notice issued to the petitioner and others on 01.11.2024. The other grounds raised by the learned counsel for the petitioner are defences that have to be put forth by the petitioner before the Fraud Examination Committee, which is hearing the fraud alleged to have been committed by the petitioner and others.



WP.No.23966 of 2025

WEB COPY

12. The tenability of the guarantee agreement is again an issue to be raised in the pending suits where the respondent bank has questioned the settlement deeds that were executed by him.

13. In any event, the learned counsel for the petitioner is attempting to broaden the scope of this writ petition when the very relief sought for in this writ petition is only to furnish a copy of the forensic audit report dated 22.2.2024, which relief has been held to be unsustainable.

14. In the result, the writ petition stands dismissed. No costs. Consequently, the connected WMP is also dismissed.

07.8.2025

To
IDBI Bank Ltd., No.115,
Anna Salai, P.B.No.805,
Saidapet, Chennai-15.

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WP.No.23966 of 2025

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WP.No.23966 of 2025&
WMP.No.26950 of 2025

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