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* **IN THE HIGH COURT OF DELHI AT NEW DELHI**

% **Date of Decision: 20th January, 2025**

+ W.P.(C) 5413/2024 & CM APPL. 22352/2024

APPLE COMMODITIES LIMITED

.....Petitioner

Through:

Mr. Manohar Malik, Advocate.

versus

PUNJAB NATIONAL BANK

.....Respondent

Through:

Mr. Aditya Hooda, Ms. Rashmi Rawat and Dr. S.S. Hooda, Advocates.

CORAM:

HON'BLE MR. JUSTICE MANOJ JAIN

J U D G M E N T (oral)

1. In the present writ petition, besides asserting that the petitioner company was never served with any *Show Cause Notice*, it has also been claimed that the impugned order is not a reasoned and speaking order and the account in question has been classified as '*fraud*' merely on the premise that no reply had been received from the concerned account holder.
2. This Court has gone through the impugned order dated 30.03.2024 whereby the account of petitioner was classified as '*fraud.*' Such order reads as under:-

"Ref: Our Show Cause Notice (SCN) REF. No: Apple Com./2023/Fraud/1 dated 18/11/2023.

RE: No response received from your side within prescribed timelines In this regard, it is informed that as no reply was received from you within prescribed timelines at ours in response to the subject Show Cause Notice. Based on the findings of investigation (as applicable) conducted by our Bank and shared with you vide our above cited Show Cause Notice dated 18.11.2023, we have perceived your account/s as fraud.

Accordingly, Bank has decided to classify your loan account as 'Fraud' for the following reasons:

"Misappropriation and Criminal Breach of Trust."



The Bank shall be taking further course of action to report the account/ your name to the Reserve Bank of India (RBI) as per the directions contained in the RBI Master Directions/ Circulars issued time to time, in this regard.”

3. Quite obviously, the bank does not seem to have given any “*independent and specific reason*” as to why it has taken the above said decision to classify the loan account as ‘*fraud*’. Of course, findings of the investigation conducted by the bank were made part of the *Show Cause Notice* and the bank while declaring the account as ‘*fraud*’, most probably, would have swayed away by the same, fact remains that the order in question does not make it amply specific and clear.
4. The order has to be a reasoned and categoric one.
5. Reasons need to be specified and not to be inferred.
6. Whenever any decision is made by any administrative body or financial institution, it is imperative that such decision contains the reasoning. Such requirement is not a mere procedural formality; it rather stems from the fundamental need to prevent arbitrariness and to ensure accountability. Thus, for the sake of clarity, fairness and transparency, every decision, particularly those affecting vital rights and interests, must be supported by adequate reasoning that demonstrates the application of sound judgment, in line with recognized legal standards.
7. This Court is also cognizant of the specific directions contained in *State Bank of India and Others vs. Rajesh Agarwal and Others: 2023 SCC OnLine SC 352* wherein also it has been held that any such order has to be a reasoned one.
8. In the present case, the expression used in the impugned order lacks clarity. It is crucial to emphasize that the order in question expressly records



that when the *show cause notice* was issued, the bank had perceived the account/s as fraud. However, at the time of final consideration, there should have been some discussion, elaboration and substantiation. The lack of which clearly demonstrates that the order fails to provide adequate reasoning for the classification of the account of petitioner as fraud.

9. In view of the above, the impugned order cannot be said to be sustainable.

10. The impugned order is, accordingly, set aside.

11. During Course of the arguments, learned counsel for the petitioner has submitted that the address of the petitioner has been correctly mentioned in the *memo of parties* as well as in the affidavit and he also states that the correct email address of the petitioner is office@applegroup.co.in.

12. In order to resolve the controversy for once and all, the respondent-bank is directed to issue a fresh *Show Cause Notice* with all the supporting documents to the petitioner on the above said address and e-mail ID and after considering the reply, if any, sent by such account holder, the respondent bank would be at liberty to take fresh decision with respect to the account in question.

13. Needless to say, such decision shall be a reasoned one.

14. It also needs to be clarified that the bank shall not get prejudiced by any of the observations made by this Court in the present order.

15. The petitions stands disposed of in the aforesaid terms.

(MANOJ JAIN)
JUDGE

JANUARY 20, 2025/ss