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

+ W.P.(C) 6682/2024

RELIGARE FINVEST LIMITED

.....Petitioner

Through: Mr. Nalin Kohli, Sr. Adv. with Mr. Shankh Sengupta, Mr. Ribhu Garg, Mr. Arnav Doshi, Mr. Anshul Malik, Mr. Ayuushman Arora and Ms. Nimisha Menon, Advs.

versus

CENTRAL BANK OF INDIA AND ORS.

.....Respondents

Through: Mr. Arun Aggarwal, Mr. Loveleesh Kukreja and Mr. Aman Singh, Advs. for R-2.
Ms. Akriti Singh, Adv. for R-3 and R-13.
Mr. Shivam Takkur, Adv. for R-4.
Mr. Rajat Prakash, Adv. for R-5.
Mr. Aqib Baig, Mr. Moonis Abbasi, Advs. for R-6/SIDBI.
Ms. Manisha Singh, Mr. Anurag Jain, Mr. George Pothan Poothicote, Ms. Jyoti Singh and Mr. Prakarsh Kumar, Advs. for R-7/Canara Bank.
Mr. Jaimohan, Mr. Aayush Gupta, Advs. for R-8/UCO Bank.
Mr. Sidhartha Barua, Mr. Kumar Arnav Singh Deo and Mr. Praful Jindal, Advs. for R-10/IDBI Bank.
Mr. R.S. Raju and Mr. Ashish Jha, Advs. for R-11/Karnataka Bank Ltd.
Mr. Sumeet Batra and Dr. Roopanshi Batra, Advs. for R-12.



Mr. Vishesh Kalra, Ms. Smriti Churiwal and Mr. Jaiveer Kant, Advs. for R-14/South Indian Bank.
Mr. Aljo K. Joseph, Adv.

CORAM:
HON'BLE MR. JUSTICE VIKAS MAHAJAN

ORDER
22.07.2025

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1. The present petition has been filed praying for quashing of respondent banks' decision to classify the petitioner's account as 'Fraud'.
2. Mr. Nalin Kohli, learned senior counsel appearing on behalf of petitioner submits that the decision has been taken by the respondent banks to classify the petitioner's account as 'Fraud' without affording any personal hearing.
3. He places reliance on the decision of the Hon'ble Supreme Court in ***State Bank of India vs. Rajesh Agarwal & Ors., (2023) 6 SCC 1***, as well as, a decision of Division Bench of this Court in ***IDBI Bank Ltd. v. Gaurav Goel & Ors., 2025 SCC OnLine Del 935***, to contend that in compliance of principles of natural justice, a personal hearing ought to have been afforded to the petitioner.
4. He further contends that besides non-compliance of principles of natural justice, the impugned order classifying petitioner's account as 'Fraud' cannot be sustained also for the reason that the petitioner has re-paid the outstanding dues of all the respondent banks, and the banks have issued 'No Due Certificate' in respect of the same.
5. To buttress his contention, Mr. Kohli brings attention of the Court to No Dues Certificates issued by the respondent banks which have been



placed at Annexure P-20 (colly.) with the present petition.

6. He also draws Court's attention to the order dated 18.12.2023 passed in W.P.(C) 15835/2023 which is annexed as Annexure P-23 to the petition, to submit that the present is a case of joint lending by various banks, and insofar as SBI's decision to classify the petitioner's account as 'Fraud' is concerned, a separate writ petition was filed by the petitioner herein being W.P.(C) 15835/2023 titled as ***Religare Finvest Limited vs. State Bank of India*** whereby a coordinate bench of this Court had quashed the impugned decision of the State Bank of India declaring the account as 'fraud'.

7. On a query posed by the Court to learned counsels appearing on behalf of the respondent banks as to whether personal hearing was afforded to the petitioner before taking the decision to classify the petitioner's account as 'Fraud', the counsels for the respondent banks states that the decision to classify the petitioner's account as 'Fraud' was taken at a time when the decision in ***Rajesh Agarwal*** (supra) had not rendered by the Hon'ble Supreme Court.

8. At this stage it is apposite to refer to the decision of Hon'ble Supreme Court in ***Rajesh Agarwal*** (supra) wherein Hon'ble Supreme Court has in no certain terms has provided that granting of hearing before classifying an account as 'Fraud' is mandatory. The relevant part of the decision reads thus:

"55. Classification of the borrower's account as fraud under the Master Directions on Frauds virtually leads to a credit freeze for the borrower, who is debarred from raising finance from financial markets and capital markets. The bar from raising finances could be fatal for the borrower leading to its "civil death" in addition to the infraction of their rights under Article 19(1)(g) of the Constitution. Since debarring



disentitles a person or entity from exercising their rights and/or privileges, it is elementary that the principles of natural justice should be made applicable and the person against whom an action of debarment is sought should be given an opportunity of being heard.

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67. The Master Directions on Frauds do not expressly exclude a right of hearing to the borrowers before action to class their account as frauds is initiated. ***The principles of natural justice can be read into a statute or a notification where it is silent on granting an opportunity of a hearing to a party whose rights and interests are likely to be affected by the orders that may be passed.***

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E. Conclusion

98. The conclusions are summarised below:

98.1. No opportunity of being heard is required before an FIR is lodged and registered.

98.2. Classification of an account as fraud not only results in reporting the crime to the investigating agencies, but also has other penal and civil consequences against the borrowers.

98.3. Debarring the borrowers from accessing institutional finance under Clause 8.12.1 of the Master Directions on Frauds results in serious civil consequences for the borrower.

98.4. Such a debarment under Clause 8.12.1 of the Master Directions on Frauds is akin to blacklisting the borrowers for being untrustworthy and unworthy of credit by banks. This Court has consistently held that an opportunity of hearing ought to be provided before a person is blacklisted.

98.5. The application of audi alteram partem cannot be impliedly excluded under the Master Directions on Frauds.



In view of the time-frame contemplated under the Master Directions on Frauds as well as the nature of the procedure adopted, it is reasonably practicable for the lender banks to provide an opportunity of a hearing to the borrowers before classifying their account as fraud.

98.6. The principles of natural justice demand that the borrowers must be served a notice, given an opportunity to explain the conclusions of the forensic audit report, and be allowed to represent by the banks/JLF before their account is classified as fraud under the Master Directions on Frauds. In addition, the decision classifying the borrower's account as fraudulent must be made by a reasoned order.

98.7. Since the Master Directions on Frauds do not expressly provide an opportunity of hearing to the borrowers before classifying their account as fraud, audi alteram partem has to be read into the provisions of the directions to save them from the vice of arbitrariness.

99. In the result, the judgment of the Division Bench of the High Court of Telangana dated 10-12-2020 [Rajesh Agarwal v. RBI, 2020 SCC OnLine TS 2021] is upheld. The judgments of the High Court of Telangana dated 22-12-2021 [Shree Saraiwwalaa Agrar Refineries Ltd. v. Union of India, 2021 SCC OnLine TS 1816] and 31-12-2021 [Yashdeep Sharma v. RBI, 2021 SCC OnLine TS 1852] , and of the High Court of Gujarat dated 23-12-2021 [Mona Jignesh Acharya v. Bank of India, 2021 SCC OnLine Guj 2811] are accordingly set aside. The civil appeals are disposed of. Writ Petition (C) No. 138 of 2022 is also disposed of in the above terms. There shall be no order as to costs.

100. Pending application(s), if any, shall stand disposed of.”

(emphasis supplied)

9. The Hon'ble Division Bench of this Court in **Bank Ltd vs. Gaurav Goel & Ors., 2025 SCC OnLine Del 935**, has also clarified that the expression 'hearing' used by the Hon'ble Supreme Court in **Rajesh Agarwal**



(supra) includes personal hearing. The relevant excerpts reads thus:

“19. Since, in paragraph 99, the Hon’ble Supreme Court has upheld the said decision of the Hon’ble High Court of Telangana (2020 SCC OnLine TS 2021), in our considered opinion, reading the conclusion in Rajesh Agarwal, (supra), as can be found in paragraph 98.4, to mean that in proceedings under the RBI Directions, opportunity of hearing would not include opportunity of personal hearing, is untenable. Once, the Hon’ble Supreme Court upheld the judgment of the Hon’ble High Court of Telangana which clearly had directed for providing an opportunity of personal hearing as well, to conclude that opportunity of hearing would not include opportunity of personal hearing, in our opinion, will be erroneous.

20. The submission made by learned counsel representing the appellant that the proceedings consequent upon the show cause notice under the RBI Directions are administrative proceedings as such the process of fair hearing will not be at the standard of a judicial proceeding, in our considered opinion, does not have any bearing to the instant case for the reason that the Hon'ble Supreme Court in *Rajesh Agarwal, (supra)* has clearly reiterated the well-known principle of law that even in administrative action, the principles of audi alteram partem are to be observed. The extent of application of the principle of audi alteram partem in the proceedings drawn under the RBI Directions has already been explained by the Hon'ble Supreme Court in *Rajesh Agarwal, (supra)* which has upheld the directions issued by the Hon'ble High Court of Telangana where one of the directions issued was for providing opportunity of personal hearing as well.

21. It is trite in law that there is no straight jacketed formula to ensure observance of principles of justice for the reason that the extent and width of application of this principle depends on the nature of proceedings and the provisions under which such proceedings are drawn as also on the consequences which such proceedings entail.

22. However, once the Hon'ble Supreme Court in *Rajesh*



Agarwal, (supra) has clearly upheld the directions issued by the Hon'ble High Court of Telangana (2020 SCC OnLine TS 2021) regarding providing opportunity of personal hearing in the proceedings drawn under the RBI Directions, it is not open to this Court to read the application of principle of audi alteram partem in any other manner.”

(emphasis supplied)

10. Indubitably, no personal hearing has been afforded by the respondents/Banks to the petitioner before classifying their account as 'fraud'. After the decision of Hon'ble Supreme Court in ***Rajesh Agarwal*** (supra) as clarified by the Division Bench of this Court in ***Gaurav Goel*** (supra), there is no doubt that the respondent-Banks were required to afford to an opportunity of hearing to the petitioner before classifying its account as fraud. Needless to say, that the law declared in ***Rajesh Agarwal*** (supra) shall apply from 01.07.2016 i.e. the date of Master Directions on Frauds Classification and Reporting by Commercial Banks and Select FIs issued by the Reserve Bank of India, which was a subject matter of interpretation in the said decision.

11. Therefore, this Court is of considered view that since there is a non-compliance of principles of natural justice, the impugned decision to classify the account of the petitioner as 'fraud' is not sustainable. Accordingly, the respondents' decision of declaring the petitioner's account as 'Fraud' is hereby quashed and set aside.

12. Consequently, the respondents are directed to take steps to remove the name of the petitioner from the category of 'Fraud' in the Central Fraud Registry within a period of two weeks from today.

13. The respondents are, however, at liberty to take appropriate action against the petitioner in accordance with law, if so advised.



14. The petition stands disposed of in the above terms.

VIKAS MAHAJAN, J

JULY 22, 2025

N.S.ASWAL