$~48

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

\+ LPA 472/2025

BANK OF INDIA .....Appellant

Through: Ms. Manjula Gandhi, Mr. Raman Tomar & Ms. Akriti Singh, Advocates

versus

SANJEEV NARULA & ORS. .....Respondents

Through: Mr. Saurabh Mishra, Senior Advocate with Mr. Ekansh Mishra, Mr. Vaibhav Mishra, Advocates

CORAM:
HON'BLE MR. JUSTICE SUBRAMONIUM PRASAD
HON'BLE MR. JUSTICE SAURABH BANERJEE

O R D E R

% 29.07.2025

CM APPL. 44894/2025 (Exemption)

Allowed, subject to all just exceptions.

LPA 472/2025 & CM APPL. 44892/2025, CM APPL. 44893/2025

1. The instant petition challenges the Order dated 06.06.2025 passed by the learned Single Judge quashing an Order dated 14.05.2025 passed by the Appellant/Bank classifying the account of the Respondent/Company as 'fraud'. The learned Single Judge was of the opinion that the said Order classifying the Respondent/Company as 'fraud' is contrary to the Judgment passed by the Apex Court in State Bank of India v. Rajesh Aggarwal, **2023 (6) SCC 1.**

2. The finding of the learned Single Judge is that personal hearing has not been afforded to the Appellant before classifying the account of the Respondent as 'fraud' therefore the learned Single Judge has quashed the order and has disposed of the writ petition by observing as under:-

> *"5. Keeping in view the fact that the impugned order has been passed merely on the basis of the Forensic Audit Report as also the reply to the show cause notice submitted by the petitioner without granting an opportunity of personal hearing as enunciated by the Supreme Court in Rajesh Aggarwal (supra) as also by this Court in IDBI Bank (supra), it is deemed appropriate to quash the impugned order dated 14th May 2025 in its entirety, subject to the respondent affording an opportunity of personal hearing to the petitioner in respect of the aforesaid account, which has been classified as "Fraud".*
>
> *6. It is also directed that the Forensic Audit Reports, on basis whereof, the order of classifying the account as "Fraud" has been passed, shall also be furnished to the petitioner within two days from today. The petitioner shall be granted an opportunity to file a fresh response to the show cause notice, including grounds in respect of his objections to the Forensic Audit Report, which is to be furnished to the petitioner.*
>
> *7. Upon receipt of the said Forensic Audit Report from the respondent, the petitioner is granted two weeks' time to file his composite response. Upon receipt of such response, the competent authority of the respondent- bank shall dispose of the same after affording an opportunity of personal hearing to the petitioner within four weeks, thereafter."*

3. It is the contention of the learned Counsel for the Appellant that the word 'hearing' does not mean that a 'personal hearing' is to be provided to

the Respondent. The fact that the Show Cause Notice was issued is a sufficient form of opportunity given to the Respondent to explain their case.

4. Learned Counsel for Respondent places reliance of the Judgment of a Coordinate Bench of this Court in IDBI Bank Ltd. v. Gaurav Goel & Ors., **LPA 536/2024,** wherein the very same issue arose for consideration. The Appellant therein contended that the word 'hearing' in Paragraph 98.4 of the Judgment of the Apex Court in Rajesh Aggarwal (supra), is not qualified by the word 'personal hearing'. While rejecting the contention of the Appellant therein, this Court reads as under:-

> *"**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.***
>
> ***23. The submission of learned counsel for the appellant that in the conclusion drawn by the Hon'ble Supreme Court in Rajesh Agarwal, (supra), the word 'hearing' did not qualify the word 'personal', while reading the principle of audi alteram partem in the procedure to be adopted under the RBI Directions, such opportunity of personal hearing is not mandatory is not tenable in the instant matter for the reasons given above, specially for the reason that the Hon'ble Supreme Court has upheld the directions issued by Hon'ble High Court of Telangana which clearly provided for opportunity of personal hearing to the borrower.***
>
> *24. As regards the reliance placed by learned counsel for the appellant on the order dated 12.05.2023 passed*

by the Hon'ble Supreme Court inMiscellaneous Application No. 0 of 2023, we are of the opinion that the said order also does not come in the way of reading the principle of audi alteram partem in its application to the proceedings drawn under the RBI Directions to include the opportunity of personal hearing as well for the reason that while addressing the apprehension expressed by the learned Solicitor General of India who appeared for the State Bank of India, the Hon'ble Supreme Court has reiterated the conclusions summarized in paragraph 98 of the report, simultaneous with upholding the judgment of the Hon'ble High Court of Telangana, dated 10.12.2020 (2020 SCC OnLine TS 2021). Upholding the judgment of the Hon'ble High Court of Telangana thus, approves the directions issued by the High Court of Telangana which included providing for opportunity of personal hearing as well. Accordingly, reliance placed on the order dated 12.05.2023 by the learned counsel for the appellant is of no avail to the appellant."

(Emphasis Supplied)

5. Further, the contention of the learned Counsel for the Respondent that the Judgment passed by the Apex Court in Rajesh Aggarwal (supra) has been clarified by the Order dated 12.05.2025, also does not impress this Court. The said Order is extracted as under:-

"1 The apprehension which has been expressed by the Solicitor General of India is that since the judgment of the Division Bench of the High Court of Telangana dated 10 December 2022 was upheld in the judgment of this Court dated 27 March 2023, the judgment of this Court may be interpreted in the future to mean that the grant of a personal hearing is mandatory though it has not been so directed in the conclusions set out in paragraph 81 of the judgment.

2 While upholding the judgment of the High Court of Telangana dated 10 December 2020, the operative directions of this Court are those which are summarized in paragraph 81 in section 'E' of the judgment.

3 The Solicitor General states that in respect of his submission that the judgment of the Court should be granted only prospective effect, the State Bank of India may be advised to file a review separately.

4 The Miscellaneous Application is disposed of.

5 Pending applications, if any, stand disposed of."

6. A reading of the said Order also does not indicate that the Supreme Court had dispensed with the requirement of 'personal hearing' as given in Paragraph 98.4 of the Judgment of Rajesh Aggarwal (supra), which has been quoted in this Order. This Court does not find any infirmity in the Order passed by the learned Single Judge.

7. The appeal is dismissed along with pending application(s), if any.

SUBRAMONIUM PRASAD, J

SAURABH BANERJEE, J

JULY 29, 2025
hsk