IN THE HIGH COURT OF KARNATAKA AT BENGALURU

DATED THIS THE 29TH DAY OF OCTOBER, 2026

PRESENT

THE HON'BLE MRS. JUSTICE ANU SIVARAMAN

AND

THE HON'BLE MR. JUSTICE K.S.BHARATH KUMAR

WRIT APPEAL NO.121 OF 2024 (CS-RES)

BETWEEN:

ARECANUT PROCESSING AND SALES CO-OPERATIVE
SOCIETY LTD.
APMC YARD
SAGAR
SHIVAMOGGA DISTRICT-577 401
BY ITS SECRETARY

...APPELLANT

Digitally signed by PAVITHRA N
Location: High Court of Karnataka

(BY SRI. JAYAPRAKASH R. V., ADV.)

AND:

1. ASSISTANT REGISTRAR OF CO-OPERATIVE
   SOCIETIES
   KUVEMPU ROAD
   SHIVAMOGGA-577 201

2. ASHWINI KUMAR
   S/O S R THIMMAPPA
   AGED ABOUT 62 YEARS

OCC: ARECANUT MERCHANT
R/O NO.5
APMC YARD
SAGAR
SHIVAMOGGA DISTRICT-577 401

…RESPONDENTS

(BY SRI. N.BYREGOWDA, AGA FOR R1;

SRI. S.V. PRAKASH, ADV. FOR R2)

THIS WRIT APPEAL IS FILED UNDER SECTION 4 OF THE KARNATAKA HIGH COURT ACT, 1961, PRAYING TO ALLOW THE ABOVE APPEAL AND SET ASIDE THE ORDER DATED 17.11.2023 IN WP NO.34535/2018 PASSED BY THE LEARNED SINGLE JUDGE.

THIS WRIT APPEAL HAVING BEEN HEARD AND RESERVED FOR JUDGMENT ON 12.10.2026 AND COMING ON FOR PRONOUNCEMENT OF JUDGMENT THIS DAY, **ANU SIVARAMAN J.,** PRONOUNCED THE FOLLOWING:

CORAM: HON'BLE MRS. JUSTICE ANU SIVARAMAN
and
HON'BLE MR. JUSTICE K.S.BHARATH KUMAR

CAV JUDGMENT

(PER: HON'BLE MRS. JUSTICE ANU SIVARAMAN)

This writ appeal is filed challenging the order dated 17.11.2023 passed by the learned Single Judge in Writ Petition No.34535/2018 (CS-RES).

2. We have heard Shri. Jayaprakash R.V, learned counsel appearing for the appellant, Shri. N. Byregowda, learned Additional Government Advocate appearing for respondent No.1 and Shri. S.V. Prakash, learned counsel appearing for respondent No.2.

3. The appellant is a co-operative society registered under the Karnataka Co-operative Societies Act, 1959, engaged in arranging the marketing of agricultural produce of its members. Respondent No.2 is an arecanut trader who had been transacting with the appellant since 1997–98. Between 03.11.2001 and 08.03.2002, respondent No.2 purchased 728 bags of arecanut from the appellant for a total consideration of Rs.46,55,606/-. Since respondent No.2 failed to pay the purchase price and lift the stock within the stipulated time despite repeated notices, the appellant re-

tendered the stock on 30.06.2004 with the permission of the Agricultural Produce Market Committee ('APMC'). The re-tender fetched Rs.38,24,426.40/-, which was credited to his account. The difference between the purchase price and the re-tender proceeds was Rs.8,31,179.60/-.

4. The appellant raised a dispute under Section 70 of the Karnataka Co-operative Societies Act, 1959, in Dispute No.DRS/6/2004-05, seeking recovery of the shortfall together with Rs.17,63,784.40/- claimed towards interest. The dispute was referred to the Assistant Registrar of Co-operative Societies, who held an enquiry. Respondent No.2 contested his liability to pay the interest claimed. By award dated 29.06.2007, the Assistant Registrar of Co-operative Societies, directed respondent No.2 to pay Rs.8,31,179.60/- with interest at 6% per annum from 01.07.2004 till realisation. The additional claim for interest was rejected on the ground that there was no agreement between the parties for payment of interest.

5. Aggrieved by the rejection of its claim for interest at 15% per annum, the appellant preferred Appeal

No.718/2007 before the Karnataka Appellate Tribunal. The said appeal was considered along with Appeal No.198/2012 filed by respondent No.2 concerning his separate claim arising from the same transaction. By a common judgment dated 09.02.2018, the Tribunal dismissed both the appeals. Aggrieved by the dismissed of the appeal, the appellant filed Writ Petition No.34535/2018.

6. The learned Single Judge held that though the writ petitioner relied on the Trade Rules providing for interest at the rate determined by its Board, it had not produced documentary evidence establishing that the Board had resolved to charge interest at 15% per annum during the relevant period or that the rate had been communicated to respondent No.2. Holding that oral evidence alone did not establish the writ petitioner's entitlement to interest at the claimed rate, the learned Single Judge upheld the rejection of the claim for interest at 15% per annum by the Assistant Registrar and the Tribunal.

7. With regard to the writ petitioner's reliance on the Interest Act, 1978, the learned Single Judge observed that a

claim under the Interest Act had neither been pleaded in the original dispute nor urged in the appeal before the Tribunal or in the grounds of the writ petition and had been advanced for the first time during arguments. The contention that it could nevertheless be considered as a question of law was rejected, holding that the basis of the claim ought to have been specifically pleaded to afford respondent No.2 an adequate opportunity to contest it. Finding that the writ petitioner had failed to establish its entitlement to the interest claimed or any error warranting interference with the orders of the authorities, the learned Single Judge dismissed the writ petition.

8. The learned counsel appearing for the appellant contends that the authorities erroneously construed the Trade Rules framed in 1997–98 as being applicable only to transactions during that year. It is contended that the Rules came into force on 01.04.1997 and governed all transactions undertaken with the Society thereafter, including the purchases made by respondent No.2 during 2001–02. It is contended that the learned Single Judge failed to decide this

material question, while the Tribunal affirmed the rejection of its claim without properly examining the scope and contents of the Rules.

9. It is further contended that Clauses 4, 5 and 6 of the Trade Rules provide for the levy of interest on outstanding amounts from the date of purchase, while Rule 16 obliges a purchaser who fails to lift the stock within the stipulated period to pay interest at the rate fixed by the Board of Directors. It is contended that the Board had fixed the rate at 15% per annum and that respondent No.2, having been furnished with the Rules and having accepted their terms before participating in the tenders, was bound by them. It is contended that the absence of a separate agreement for payment of interest could not justify rejection of the claim for interest.

10. It is also contended that the appellant had paid the agriculturists the value of the produce at the rates quoted by respondent No.2, whereas respondent No.2 failed to pay the corresponding purchase price. It is contended that the re-tender proceeds were adjusted partly towards

interest and the balance towards the amount outstanding purcahse price and that the remaining liability reflected in respondent No.2's account was recoverable under the Trade Rules.

11. The learned counsel appearing for respondent No.2, on the other hand, contends that the appellant has not established any statutory or contractual right to recover interest at 15% per annum. It is contended that no such power is traceable to the provisions of the Karnataka Co-operative Societies Act, the Rules framed thereunder, or the applicable bye-laws. It is further contended that the appellant has not established that the Trade Rules were furnished to respondent No.2, that he had signed and accepted their terms or that the Board of Directors had fixed interest at 15% per annum. It is therefore contended that the entries in his account do not, by themselves, establish liability for the additional interest claimed.

12. It is further submitted that respondent No.2 was ready to pay the C-Bill amount and take delivery of the arecanut, but the appellant insisted upon payment of

interest as a condition for releasing the stock. It is also contended that the appellant thereafter re-auctioned the 728 bags on 30.06.2004 without proper intimation or notice or hearing and in violation of the procedure prescribed under the APMC Act and the applicable bye-laws. It is contended that the re-auction at a lower price caused him loss, for which he had separately raised Dispute No.DRS/DIS:75/2008-09 claiming Rs.35,64,241.60. It is also submitted that the entire amount payable under the award has been paid.

13. The learned counsel appearing for respondent No.2 places reliance on the judgment dated ***01.09.2026*** passed by a co-ordinate Bench of this Court in ***Malnadu Areca Marketing Co-operative Society Limited v. M/s. Siddalingeshwara Arecanut Stores*** in ***Writ Appeal No.864/2025 (CS-RES)***.

14. We notice that the issue of payment of interest on the successful bidder refusing to lift the produce within the time provided has been specifically considered and answered by a Division Bench of this Court in Writ Appeal

No.864/2025. The question whether the provisions of the Interest Act which had never been raised before the KRCS, the Karnataka Administrative Tribunal as well as the learned Single Judge could be raised in the writ appeal was also considered and answered in the 'Negative'. The plea of the appellant that interest ought to have been awarded under Section 34 of the Code of Civil Procedure, 1908 was also considered and it was found that the principal amount had already been paid and the dispute being essentially as to the claim of interest, Section 34 of the Code of Civil Procedure would also not be applicable.

15. In the instant case as well, the contention is that 728 bags of arecanut was purchased by the respondent from the appellant - Society costing Rs.46,55,606/-. It is also an admitted fact that the respondent did not lift the articles and the same were re-tendered and sold on 30.06.2004 for an amount of Rs.38,24,426/-. The KRCS allowed the dispute partially awarding an amount of Rs.8,31,179.60/- with interest at 6% per annum from 01.07.2004 till realisation. This amount has admittedly been paid by the respondent.

16. The main contention urged before us today is that the Society had framed Trade Rules which was produced as an Annexure 'F' and the said Rules provided for payment of interest. However, we notice that the Trade Rules produced as Annexure 'F' are the Rules of the Society for the year 1997-98 and there is nothing placed on record to show that the Rules had been extended or made applicable for the period from 03.11.2001 to 08.03.2002 when the articles were purchased by respondent No.1 herein. It is pertinent to note that even in those Rules, it is specifically provided that if the stock purchased by the buyer is not released within the stipulated period, the Committee of Management shall take action to sell the said stock through re-tender as per Rules. It is further submitted that if there is loss on such sale, the purchaser who first bought it will be liable to compensate the Society. This compensation has been made good by the order of the KRCS.

17. The learned Single Judge considered the contentions and found that there is nothing whatsoever on record in support of the claim made by the Society for

interest at 15%. The applicability of the Trade Rules was also specifically considered and found against. Even if the Trade Rules are applicable, it was found that there was nothing on record to suggest that the Board of the appellant had fixed interest at the rate of 15% per annum and this fact was informed to the respondent.

18. In the above factual situation, we are of the opinion that there is no merit in the contentions raised by the appellant. The appeal fails and the same is accordingly ***dismissed***.

All pending interlocutory applications shall stand *disposed of.*

Sd/-
(ANU SIVARAMAN)
JUDGE

Sd/-
(K.S.BHARATH KUMAR)
JUDGE

PN