HC-KAR

NC: 2026:KHC:20951
WP No. 5223 of 2022
C/W WP No. 5214 of 2022

IN THE HIGH COURT OF KARNATAKA AT BENGALURU

DATED THIS THE 16TH DAY OF APRIL, 2026

BEFORE

THE HON'BLE SMT. JUSTICE LALITHA KANNEGANTI

WRIT PETITION NO. 5223 OF 2022 (GM-RES)

C/W

WRIT PETITION NO. 5214 OF 2022 (GM-RES)

IN WP No. 5223/2022:

BETWEEN:

M/S ASSOCIATE LUMBERS PRIVATE LIMITED
A COMPANY INCORPORATED UNDER THE
COMPANIES ACT 1956
HAVING ITS REGISTERED OFFICE AT
85-A, SANT SAVTA MARG, MUSTAFA BAZAR,
MUMBAI, MAHARASHTRA - 400 010.
REPRESENTED BY ITS AUTHORISED SIGNATORY
MR. PREETAM SUDAM TAMBE

...PETITIONER

(BY SRI. NAMAN JHABAKH., ADVOCATE FOR
SRI. VIVEK HOLLA, HOLLA AND HOLLA.,ADVOCATE)

Digitally signed by SUVARNA T
Location: HIGH COURT OF KARNATAKA

AND:

1. RESERVE BANK OF INDIA
CONSTITUTED UNDER THE
RESERVE BANK OF INDIA, 1934
HAVING ITS HEAD OFFICE AT
18TH FLOOR, CENTRAL OFFICE BUILDING,
SHAHID BHAGAT SINGH ROAD,
MUMBAI - 400 001.

2. UNION BANK OF INDIA,
A PUBLIC SECTOR BANK
CONSTITUTED UNDER THE
BANKING COMPANIES
(ACQUISITION AND TRANSFER OF
UNDERTAKINGS) ACT 1970,
HAVING ITS REGISTERED OFFICE AT
UNION BANK BHAVAN, 239,
VIDHAN BHAVAN, MARG,
NARIMAN POINT, MUMBAI - 400 021.
MAHARASHTRA, INDIA.
ALSO HAVING ITS BRANCH OFFICE AT
1ST FLOOR, POOJA ARCADE BUILDING,
K S RAO ROAD, HAMPANKATTA,
P B NO. 224, MANGALORE - 575 001.

…RESPONDENTS

(BY SRI. MANIK B T.,ADVOCATE FOR R1;
R2 IS SERVED)

THIS WRIT PETITION IS FILED UNDER ARTICLES 226 AND 227 OF THE CONSTITUTION OF INDIA, PRAYING TO A) ISSUE A WRIT OF CERTIORARI AND/OR ANY OTHER APPROPRIATE WRIT, ORDER OR DIRECTION, QUASHING AND SETTING ASIDE THE IMPUGNED MASTER DIRECTIONS ON FRAUDS - CLASSIFICATION AND REPORTION BEARING REFERENCE NO.RBI/DBS/2016-17/28 DBS.CO.CFMC.BC.NO. 1/23.04.001/2016-17 DATED 01/07/2016 UPDATED AS ON 03/07/2017, ISSUED BY RESPONDENT NO.1 AS UNCONSTITUTIONAL AND ETC.,

IN WP NO. 5214/2022:

BETWEEN:

1. MANOHARLAL SATRAMDAS AGICHA
S/O SATRAMDAS SADHURAM AGICHA,
AGED ABOUT 77 YEARS,
R/AT THE AGICHAS,
6 MASTER VINAYAK ROAD,
OFF PERRY CROSS ROAD,
BANDRA (WEST), MUMBAI,

MAHARASHTRA -400 050.

2. MOHAMED FARROUK SULEMAN DARVESH,
S/O SULEMAN MIYA AHMED DARVESH,
AGED ABOUT 70 YEARS,
R/AT HOOR MANZIL, 7, PERRY CROSS ROAD,
BANDRA (WEST), MUMBAI,
MAHARASHTRA-400 050.

3. EBRAHIM SULEMAN DARVESH,
S/O SULEMAN MIYA AHMED DARVESH,
AGED ABOUT 65 YEARS,
R/AT HOOR MANZIL, 7, PERRY CROSS ROAD,
BANDRA (WEST), MUMBAI,
MAHARASHTRA-400 050.

...PETITIONERS

(BY SMT. SANJANA M., ADVOCATE &
SMT. NANDINI S PATIL., ADVOCATE FOR
SRI. PRADEEP NAYAK.,ADVOCATE)

AND:

1. RESERVE BANK OF INDIA
CONSTITUTED UNDER THE
RESERVE BANK OF INDIA ACT, 1934
HAVING ITS HEAD OFFICE AT
18TH FLOOR, CENTRAL OFFICE BUILDING,
SHAHID BHAGAT SINGH ROAD,
MUMBAI-400 001.
HAVING REGIONAL OFFICE AT
NO.10/3/8, NRUPATHUNGA ROAD,
BENGALURU-560 001.

2. UNION BANK OF INDIA,
A PUBLIC SECTOR BANK
CONSTITUTED UNDER THE
BANKING COMPANIES
(ACQUISITION AND TRANSFER
OF UNDERTAKINGS) ACT, 1970
HAVING ITS REGISTERED OFFICE AT
UNION BANK BHAVAN,

239, VIDHAN BHAVAN,
MARG NARIMAN POINT, MUMBAI-400 021,
MAHARASHTRA, INDIA.
HAVING ITS BRANCH OFFICE AT
1ST FLOOR, POOJA ARCADE BUILDING,
K S RAO ROAD,
HAMPANAKATTA, P B NO.224,
MANGALORE-575 001.

...RESPONDENTS

(BY SRI. MANIK P T., ADVOCATE FOR R1;
SRI. V B RAVISHANKAR.,ADVOCATE FOR R2)

THIS WRIT PETITION IS FILED UNDER ARTICLES 226 AND 227 OF THE CONSTITUTION OF INDIA, PRAYING TO A) ISSUE A WRIT OF CERTIORARI AND/OR ANY OTHER APPROPRIATE WRIT, ORDER OR DIRECTION, QUASHING AND SETTING ASIDE THE IMPUGNED MASTER DIRECTIONS ON FRAUDS - CLASSIFICATION AND REPORTING BEARING REFERENCE NO.RBI/DBS/2016-17/28 DBS.CO.CFMC.BC NO.1/23.04.001/2016-17 DATED 01 JULY 2016 UPDATED AS ON 03/07/2017, ISSUED BY RESPONDENT NO.1 AS UNCONSTITUTIONAL AND B)DECLARE THE IMPUGNED ACTION OF RESPONDENT NO.2 OF DECLARING THE ACCOUNT OF ALPL AS FRAUD PURSUANT TO THE RBI DIRECTIONS ON FRAUD DATED 01/07/2016) IS ILLEGAL AND UNCONSTITUTIONAL AND FURTHER HOLDING ALL FURTHER AND CONSEQUENTIAL STEPS/ACTION/MEASURES TAKEN AGAINST THE PETITIONERS PURSUANT TO THIS DECLARATION AS ILLEGAL AND IN VIOLATION OF PRINCIPLES OF NATURAL JUSTICE AND C)PASS SUCH OTHER ORDERS.

THESE PETITIONS, COMING ON FOR PRELIMINARY HEARING IN B GROUP, THIS DAY, ORDER WAS MADE THEREIN AS UNDER:

CORAM: HON'BLE SMT. JUSTICE LALITHA KANNEGANTI

ORAL ORDER

W.P.No.5223/2022 is filed by the petitioner seeking the following prayer:

> ***"WHEREFORE, in view of what is set out hereinabove, it is most humbly prayed that this Hon'ble Court be pleased to:***
>
> ***A. Issue a writ of certiorari and/or any other appropriate writ, order or direction, quashing and setting aside the impugned Master Directions on reference Frauds -Classification and Reportion' bearing no. RBI/DBS/ 2016-17/28 DBS.CO.CFMC.BC.No.1/23.04.001/2016-17 dated 01 July 2016 updated as on 03 July 2017, issued by Respondent No. 1 as unconstitutional.***
>
> ***B. To declare the impugned action of Respondent No. 2 of declaring the account of the Petitioner as 'fraud' (pursuant to the RBI Directions on fraud dated 01.07.2016) as illegal and unconstitutional and all further and consequential steps/action/measures either civil / criminal, holding the same as illegal and in violation of principles of natural justice.***
>
> ***C. Pass such other orders as this Hon'ble Court may deem necessary in the interest of justice and equity."***

2. W.P.No.5214/2022 is filed by the petitioner seeking the following prayer:

> ***A. Issue a writ of certiorari and/or any other appropriate writ, order or direction, quashing and setting aside the impugned Master Directions on Frauds -Classification and***

Reporting' bearing reference no. RBI/DBS/2016-17/28 DBS. CO. CFMC. BC.No.1/23.04.001/2016-17 dated 01 July 2016 updated as on 03 July 2017, issued by Respondent No. 1 as unconstitutional;

B. To declare the impugned action of Respondent No. 2 of declaring the account of ALPL as 'fraud' (pursuant to the RBI Directions on fraud dated 01.07.2016) is illegal and unconstitutional and further holding all further and consequential steps/ action/ measures taken against the Petitioners pursuant to this declaration as illegal and in violation of principles of natural justice;

C. Pass such other orders as this Hon'ble Court may deem necessary in the interest of justice and equity."

3. Learned counsel appearing for the petitioners submits that, as per the Circular/Master Directions on Fraud, classification and reportion bearing reference No. RBI/DBS/2016-17/28 DBS.CO.CFMC.BC.No.1/23.04.001/2016-17 dated 01.07.2016 issued by respondent.No.1 there is no opportunity given to the defaulter for hearing. She had relied on the judgment of the Apex Court in the case of ***State Bank of India and others Vs. Rajesh Agarwal and others***[1] wherein the Apex Court has observed that, "**the principals of natural justice demand that the borrower must be served a notice, given an opportunity to explain the conclusions**

[1] (2023) 6 SCC 1

of the forensic audit report and be allowed to represent by the bank 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. Since the master directions on fraud 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 provision of the directions to save them from the vice of the arbitrariness."

4. In the light of the judgment passed by the Apex Court in ***Rajesh Agarwals*** case (referred supra) the Bank has to give an opportunity to the borrowers before classifying the account as fraud under the Master Direction. In that view of the matter, this Court deems it appropriate to pass the following:

ORDER

i. Accordingly, both the writ petition's are ***Allowed*** by setting aside the order dated 01.07.2016 passed Respondent No.1/RBI.

ii. The respondent/Bank are at liberty to initiate fresh proceedings in accordance with law after giving reasonable opportunity of hearing to the concerned.

iii. Pending I.As., in the writ petition shall stand closed.

SD/-
(LALITHA KANNEGANTI)
JUDGE

TS
List No.: 1 Sl No.: 73