Reserved on : 11.08.2026
Pronounced on : 04.11.2026

IN THE HIGH COURT OF KARNATAKA AT BENGALURU

DATED THIS THE 04TH DAY OF NOVEMBER, 2026

BEFORE

THE HON'BLE MR. JUSTICE M.NAGAPRASANNA

CRIMINAL PETITION NO. 8051 OF 2026

BETWEEN:

FINO PAYMENTS BANK LIMITED
A PUBLIC LIMITED COMPANY
INCORPORATED UNDER
THE PROVISIONS OF THE COMPANIES ACT
HAVING ITS REGISTERED OFFICE AT
MINDSPACE JUINAGAR, PLOT NO. GEN 2/1/F,
TOWER-1, 8TH FLOOR, TTC INDUSTRIAL AREA,
MIDC SHIRAWANE, JUINAGAR,
NAVI MUMBAI – 400 706,
REPRESENTED BY ITS
AUTHORISED SIGNATORY
MR. SANKET KOKIL,

...PETITIONER

(BY SRI SANDESH J.CHOUTA, SR.ADVOCATE A/W
SRI RAGHAVENDRA S., ADVOCATE)

AND:

STATE OF KARNATAKA
BY WILSON GARDEN POLICE STATION/CID POLICE
REPRESENTED BY

Digitally signed by PADMAVATHI B K
Location: High Court of Karnataka

THE SPECIAL PUBLIC PROSECUTOR,
HIGH COURT BUILDING,
BENGALURU – 01.

…RESPONDENT

(BY SRI H.V.PRAVEEN GOWDA, SPL.PP)

THIS CRL.P IS FILED U/S 482 CR.P.C., (FILED U/S 528 BNSS) READ WITH ARTICLES 226 AND 227 OF THE CONTITUTION OF INDIA PRAYING TO A. SET ASIDE THE ORDER DATED 04.03.2026 PASSED IN CRIME NO.243/2023 BY THE LEARNED XXIII ADDL. CITY CIVIL AND SESSIONS JUDGE AND SPECIAL JUDGE (P.C. ACT), BENGALURU, INSOFAR AS IT REJECTS THE PETITIONER'S APPLICATION FOR REMOVAL OF LIEN/UNFREEZING OF THE PETITIONER'S BANK ACCOUNT AMOUNT; B. ALLOW THE PETITIONER'S APPLICATION AND DIRECT RESPONDENT AND ALL CONCERNED BANKS/AUTHORITIES TO FORTHWITH REMOVE/UNMARK THE LIEN MARKED ON THE SUM OF RS.11,92,00,000/- IN THE PETITIONER'S ACCOUNT MAINTAINED WITH PUNJAB NATIONAL BANK, NERUL BRANCH, MUMBAI, AND PERMIT THE PETITIONER TO OPERATE AND UTILIZE THE SAID AMOUNT WITHOUT RESTRICTION; C. IN THE ALTERNATIVE, DIRECT RELEASE/UNFREEZING OF THE SAID AMOUNT SUBJECT TO SUCH CONDITIONS, UNDERTAKINGS, REPORTING REQUIREMENTS OR SECURITY.

THIS CRIMINAL PETITION HAVING BEEN HEARD AND RESERVED FOR ORDERS ON 11.08.2026, COMING ON FOR PRONOUNCEMENT THIS DAY, THE COURT MADE THE FOLLOWING:-

CORAM: **HON'BLE MR. JUSTICE M.NAGAPRASANNA**

CAV ORDER

Petitioner – FINO Payments Bank Limited (hereinafter referred to as 'the bank' for short) is before the Court calling in question an order dated 04.03.2026, passed by the learned XXIII Additional City Civil and Sessions Judge and Special Judge (P.C.Act), Bengaluru, whereby, an application filed by the petitioner under Sections 451 read with 457 of the Cr.P.C., seeking a direction to demark the lien in the respective bank accounts of the petitioner, in Crime No.243/2023, comes to be rejected.

2. Heard Sri Sandesh J. Chouta, learned senior counsel along with Sri Raghavendra S., learned counsel for the petitioner and Sri H.V.Praveen Gowda, learned Special Public Prosecutor for the respondent.

3. Facts, in brief, germane are as follows:

A crime in Crime No.243/2023 comes to be registered on an allegation of misappropriation of funds of a company – M/s.D. Devaraj Urs Truck Terminal Limited against several persons. Investigation is conducted by the jurisdictional police and during the

course of investigation, the details of the four bank account holders in the petitioner - bank are secured by the investigating agency. Later, it transpires that the bank account of the petitioner held in Punjab National Bank is frozen and a lien is marked on an amount of ☐11.92 crores in the bank account of the petitioner. It is the contention in the petition that the petitioner is not concerned with the crime or has anything to do with the alleged misappropriation of funds. It is the case of the prosecution against the accused indicated in Crime No.243/2023, alleged to have created fake invoices, bills, issuing work orders without any approval, several unauthorized transactions and siphoning of the funds. As observed hereinabove, the petitioner - bank is not named as an accused nor any specific act is attributed to the petitioner - bank. In the light of freezing of the bank account of the petitioner and the marking of the lien, the petitioner prefers an application under Sections 451 r/w. 457 of the Cr.P.C., before the concerned Court seeking a direction to demark the lien on the amount of ☐11.92 crores in the bank account of the petition. This comes to be rejected by the concerned Court in terms of the order dated 04.03.2026, which is

impugned in the petition. Therefore, the petitioner is before this Court in the subject petition.

4. Sri Sandesh J. Chouta, learned senior counsel appearing for the petitioner would contend that the concerned Court has not appreciated the fact that the petitioner is not even named as an accused in Crime No.243/2023 and there is not even a whisper of any allegation against the petitioner. The petitioner is only regulated as a payments bank, which provides CMS and EMD platform services, in the ordinary course of business. Learned senior counsel would submit that there is absolutely no finding recorded in the impugned order concerning any nexus between the amount of ☐11.92 crores lying in the petitioner's bank account held in Punjab National Bank and the alleged proceeds of crime. The learned senior counsel submits that the petitioner had disclosed the entire *modus* of the CMS mechanism and demonstrated that all CMS transactions can be executed only if equivalent funds are already available in the merchant's earnest money deposit accounts. Despite complete cooperation, the police have proceeded to freeze the accounts of the petitioner and mark lien on the

petitioner's own amounts in Punjab National Bank without any finding or wrongdoing against / by the petitioner. He would submit that this Court must set aside the impugned order and direct the defreement of the account or demark the lien as the case would be.

5. *Per contra*, Sri H.V.Praveen Gowda, the learned Special Public Prosecutor appearing for the respondent – State vehemently contend that all the monies are routed through the petitioner's bank. The trial is yet to get concluded. Therefore, the amount of ☐11.92 crores in the bank account should not be demarked till the conclusion of the investigation. He would submit that the alleged misappropriation of the funds of the company – D. Devaraj Urs Truck Terminal is operated through the bank account of the petitioner held in Punjab National Bank and therefore, seeks dismissal of the petition.

6. I have given my anxious consideration to the submissions made by the respective learned counsel for the parties and have perused the material on record.

7. The afore-narrated facts and link in the chain of events are all a matter of record. The issue is with regard to the consideration

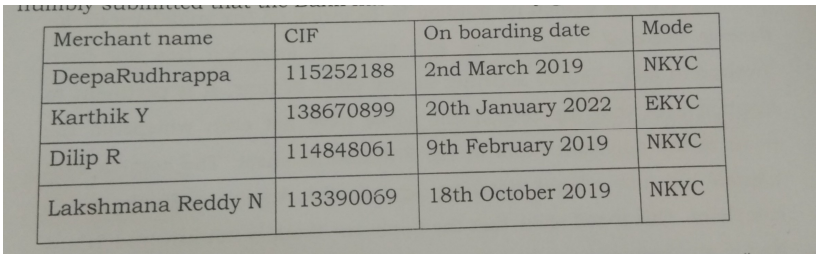
of the application filed under Sections 451 read with 457 of the Cr.P.C., before the concerned Court:

> "11. It is respectfully submitted that the blocked amount referred herein above solely belongs to the Applicant Bank and it is not at all connected to the case under the investigation by the respondent police in any manner. It may not be out of place to mention before this Hon'ble Court that the said blocked amount is used as a capital of the Applicant Bank and required for smooth functioning of day to day functioning of the Applicant Bank and due to the unilateral act of marking lien on the blocked amount has largely affected the day to day transactions of the Applicant Bank. It is further submitted that the Applicant Bank is a public limited company listed on the stock exchanges viz, Bombay Stock Exchange **(BSE)** and National Stock Exchange **(NSE)** wherein the shareholders have invested their hard earned money. It is further submitted that the Applicant Bank also borrows money from other institutions to fulfil its capital requirement to ensure smooth functioning of its business however due to the unilateral act of the respondent police the Applicant Bank is unable to use its own capital however paying interest for the same and hence the Applicant Bank badly requires the blocked amount for smooth functioning of its day to day business and avoid losses. It is submitted that the blocked amount lying in the custody of Police will not serve any purpose. However, it will definitely cause great loss to the Applicant Bank. It is further submitted that if the lien continuous and the Applicant Bank is unable to use the said blocked amount it will make serious impact on the financials of the Applicant Bank.
>
> 12. It would not be out of place to mention here that the flow of funds into the merchant account is both online and cash. This flow of funds into the merchant account is not monitored by the Bank. The Bank on-boards only those individuals who have the capability to put working capital. The merchant pre-funds his EMD account held with Fino through this working capital. The merchant is only permitted to do transactions with the Bank only if his EMD account is pre-funded. The merchant can transfer funds into his EMD account both electronically and

through cash deposit. The equivalent amount of cash collected from the CMS client is debited from the merchant's EMD account. The physical cash collected is typically used by the merchant to fund his EMD account again.

13. Aside to the above the details of amount received by the said merchants vis-à-vis CMS transactions performed against such amount are shown in the excel sheet.

14. As per prevailing practice across banking industry any one can transfer the funds electronically to the intended beneficiary account and such credits form part of State Through Processing (STP) without any manual intervention as per guidelines. In the given case the accused persons have electronically transferred the amount into the EMD account of the said merchants and basis the amount received in their respective EMD account the said merchants executed CMS transactions within the defined process of the Bank and therefore there were no anomaly identified in the processing of the said transactions. It is further stated that all these merchants were working with the Bank for significant time and they had good knowledge of the process and making use of their knowledge the said merchants have misused the platform of the Bank. In view thereof it is humbly submitted that the Bank has not violated any guidelines of RBI.



Merchant name	CIF	On boarding date	Mode
DeepaRudhrappa	115252188	2nd March 2019	NKYC
Karthik Y	138670899	20th January 2022	EKYC
Dilip R	114848061	9th February 2019	NKYC
Lakshmana Reddy N	113390069	18th October 2019	NKYC

NKYC - Normal KYC and EKYC "Electronic Know Your Customer

15. As per the operating guidelines dated 6th October 2016 issued by RBI for payment banks there is a limit for savings account customer to accept a deposit not exceeding Rs.1 Lakh

per customer. However the said limit is not applicable to the security/EMD accounts the extract of the relevant circular is enumerated herein below for reference:

> ***7. Bank deposits***
>
> ***(1) As provided in the current RBI directions, PBs can accept only savings and current deposits. The aggregate limit per customer shall not exceed 100,000, as provided in the Licensing Guidelines. However, the RBI will have no objection to the PBs making arrangements with any other scheduled commercial bank /SFB, for amounts in excess of the prescribed limits, to be swept into an account opened for the customer at that bank. This arrangement should be activated with the prior written consent of the customer.***
>
> ***(ii) The above limit shall apply to customer deposits and not to any security/earnest money deposit the bank may collect from any of its service providers in the ordinary course of business.***
>
> ****vide notification/circular dated 8th April 2021 the RBI has increased the aggregate limit per customer to Rs. 2 Lakh.***

16. It is submitted that at the time of marking lien on the blocked amount of the Applicant Bank the respondent police has not at all considered the documents provided by the Applicant bank. The unilateral act of the respondent police of marking lien on the Bank Account of the Applicant Bank is nothing but a grave misuse of powers and utter violation of the principle of natural justice.

17. The Applicant Bank carries a good reputation amongst its peers in the industry and has earned its position by following all the guidelines of the Reserve Bank of India strictly and since its inception has not been involved in any criminal activities at any point of time. It is pertinent to mention here that the respondent police have not even whispered the name of the Applicant Bank in the FIR/Charge sheet. The complainant himself has not alleged anything against the Applicant Bank in his complaint. This it-self show that the Applicant Bank is not involved in any way in the instant case

and despite knowing this the respondent police have arbitrarily arbitrarily marked a lien on the blocked amount of the Applicant bank for the reasons best known them.

18. The Applicant Bank shall stand abide by any conditions that may be directed by this Hon'ble Court and the Applicant Bank is already co-operating with the respondent police by providing the available information and documents required by them and assures this Hon'ble Court to co-operate with the Respondent police in future for effective and proper investigation.

19. The Applicant Bank upon receipt of the information from the respondent police has blocked the accounts of the merchants of the Bank and has initiated action against them as per the process laid down by the Bank in this regard.

20. That the Applicant Bank is absolute owner of the blocked amount. The Applicant Bank alone is entitled for the same and there are no rival claimants at all as against the Applicant Bank for the blocked amount.

21. In view of the above facts and circumstances it is submitted before this Hon'ble Court that the lien marked on the blocked amount of the Applicant Bank deserves to be removed to meet the ends of justice.

22. Wherefore, the Applicant Bank humbly prays to this Hon'ble Court that

> a. Appropriate directions may kindly be issued to the respondent police to remove the lien marked on the blocked amount of Rs. 11,92,00,000 (Rs. Eleven Crore Ninety Two Lakhs Only) without any further restriction and allow the Applicant Bank to use the said blocked amount as well as the bank account without any restrictions and/or hindrance whatsoever.
>
> b. Any other relief as this Hon'ble Court may deem fit.”

7.1. The State files its statement of objections to the afore-quoted application. It reads as follows:

"OBJECTION TO THE APPLICATION UNDER SECTION 451 & 457 OF THE CODE OF CRIMINAL PROCEDURE BY FINO PAYMENTS BANK LTD

The Special Public Prosecutor most humbly submits as follows:

1. The above bank has received an amount of Rs. 11,13,00,000/-, the amount belonging to the Devaraja Urs Truck Terminal with respect to above crime through various channels / persons etc., who have involved in the above crime. However, the investigation is still going on with respect to the transaction pertaining the total amount involved in the above crime and for time being the investigation is stayed by the Honourable High Court of Karnataka, with respect.

2. The investigating officer requires time to investigate into entire transaction to ascertain, who all having been involved in the above transaction and also with respect to, if any, bank officials having been involved. The investigating agency need to trace to whom all the above crime proceeds having been disbursed. Due to the grant of stay by Honourable High Court Karnataka, the investigation has taken back seat. The investigation agency has marked lien as they are yet to recover huge sum of money.

3. If lien is unmarked and subsequently if found, involvement of the above bank in the above crime, it would be difficult for the investigating agency to recover the amount from the above bank. Hence, this objection to dismiss the above application.

WHEREFORE, it is prayed that this Honourable court be pleased to dismiss the above application in the interest of justice and equity."

7.2. Considering the detailed objections made by the State, the concerned Court by rendering its reasons rejects the application by the following order:

"**REASONS**

5. Crime No.243/2023 of the Wilson Garden Police, is popularly known as D Devaraj Urs Truck Terminal Ltd., Companies Scam case (for short, the Company). It is a Government owned company, having a board consisting of 10 directors including its chairman and the managing director. Its main object is to develop and manage the truck terminate all over the state. The present crime is seen to have got registered by the present Managing Director of the Company Sri. C.N Shiva Prakash at the Wilson Garden Police Station. Offences alleged to have committed are punishable under Section 120 (B), 409, 420, 465, 471, 486 of the Indian Penal Code and offences under the Prevention of Corruption Act, 1988.

6. The Ex-Managing Director Sri. S Shankarappa (Predecessor of the complainant), the Chairman of the company Sri.D.S Veeraiah (a politician) and 7 others are alleged to have involved in the crime as accused No.1 to 9 respectively. The following are the main allegations in the FIR:

a. The 194th board meeting was held on 25.10.2021 with the presence of accused No.1, 2 and other directors. Totally 38 items were discussed relating to the emergency reparation works and maintenance of the terminals. Resolutions to that extend were passed with a decision to place the proposal before the Government for its approval to carry, under the piece work contract within the limit of 5 lakhs under KPTT Act, excluding the GST and other taxes. Accordingly, the 1st accused was empowered to implement the resolutions and get the work done under piece work directly through the contractors without inviting the

tendors. Subsequently and without getting the approval from the Government, the Board in its subsequent meeting, has assumed the powers of getting the piece work upto Rs.2 Crores without any approval, the work order was issued by the 1st accused to accused No.3 to 5 contractors.

b. In turn, accused No.3 to 5 have got created fake material supply bills, through accused No.8 and 9 suppliers. Based on those bills, the 1st accused Managing Director has released the amount of Rs.37.59 crores even without getting the work of any kind from the contractors. They in turn, have retained Rs.4.13 crores towards their commission and paid the remaining amount of Rs.33.45 crores to the suppliers. The suppliers have retained their part of commission to the tune of Rs.1,13,97,680/- for having converted the digital amount into cash, with the help of various agencies namely, Paybingo, Pinopay, Epay, Rapipay and the domestic money transfer merchants like the applicants herein. The 1st and 2nd accused took the entire money in cash by way of hit back, with the help of accused No.3 to 9.

c. In the light of the above, the case of the prosecution is that, accused No.1 to 9 have conspired together with an intention to cheat the company and the Government. They have created the fake bills and documents falsely focusing to have done the work entrusted by the company. They have misappropriated the funds of more than Rs.47 Crores and cheated.

7. Thus, the misappropriation of more than 47 crores meant for the development and maintenance of company is, the subject matter of the present crime. When the investigation was on, admittedly, the IO concerned has got lien marked Rs.4,97,30,000/- in the bank account of the applicant at Sl.No.1 and Rs.11,92,00,000/- in the bank account of the applicant at Sl.No.2 on the ground that, it is the part of the crime proceeds.

But, both the applicants denies their role of any kind in the crime so also the lien marked amount in their respective accounts as per to the crime.

8. the contention of both the applicants is that, their respective business establishments are incorporated under the Companies Act, 1957 and Banking Regulations Act, 1949. They claims to have been rendering the various kinds of services including the cash management system on commission basis. They have been engaging the third party individuals as merchants, providing them a plotform, to collect the cash on behalf of their empanelled clients i.e., NBFC's, MFI's banks, other corporates and transfer the equivalent amount to the respective bank accounts via cash management system mechanism. Here admittedly, these applicants are not the accused in the crime. Both the applicants admits the acts of their respective merchants in accepting the funds from the customers and convert it, into cash to earn the commission. But, according to them, neither they nor their merchants were aware of the crime in question and its background. They mean to say that, they did their usual business in accordance with the law for the commission.

9. Thus apparently, conversion of the crime proceeds into cash by the applicants through their merchants in the course of their business is not in dispute. Now, the question as to whether they did it with the knowledge of the crime or not is a matter which requires to be interrogated and decide in due course. Both the applicants have appraised the manner in which, the arbitrary acts of the 10 in getting lien marked their capital amount has affected the business. They asserts to have borrowed the amount from others and paying the interest thereon by sustaining the huge loss. Now their grievance is that, the lien marked amount being of their own, is required for the smooth functioning of their day to day business.

10. Here it is not in dispute that, the applicants are the registered corporate business establishments. Their names are enlisted in the Bombay Stock. Exchange and National Stock Exchanges. The investment of money by the share holders with the applicants may be true. Their grievance is that, they have borrowed money from other institutions to fulfill the capital requirements for ensuring the smooth ctioning the business cannot be ruled out. Here. elearned SPP has opposed the entitlement of the applicants to get remove the lien mark and utilize the amount in question. According to him, the lien marked amount is the part of the crime proceeds. The investigation which was to continue to ascertain the involvement of other persons including the applicants and to recover the crime proceeds has taken the back seat, as a result of the stay granted by the Hon'ble High Court against the further investigation. His main grievance is that, if the amount is lien marked and permitted the applicants to utilize the same, it would be very difficult to recover it in case if their involvement in the crime and the lien marked amount to be the part of it is found.

11. It is forth coming from the record that, the FIR against the 2nd accused came to be quashed by the order dated 29.04.2025 of the Hon'ble High Court in W.P.No.31828/2024. Admittedly, the investigation against the 1st accused has been stayed by the Hon'ble High Court in W.P.No.3496/2024. Under these circumstances, the entitlement of the applicants to get remove the lien mark and right to utilize the amount or otherwise cannot be decided, unless the stay granted by the Hon'ble High Court gets vacated. Therefore, without giving scope for the further discussion, I am declined to sustain the prayer of both the applicants for the present. In the result, I pass the following:

ORDER

Petitions under Section 451 r/w Section 457 of Cr.P.C filed on behalf of the applicant at Sl. No.1 and 2 are rejected."

8. The contention of the petitioner is with regard to the 'Operating Guidelines for Payments Banks' issued by the Reserve Bank of India to all the payments banks and the directions in the said guidelines with regard to marking of the lien or demarking of the lien have not been considered by the concerned Court.

9. In that light, I deem it appropriate to direct the concerned Court to reconsider the application of the petitioner in terms of the 'Operating Guidelines for Payments Banks' issued by the Reserve Bank of India to petitioner – bank, which is also a payments bank.

10. For the aforesaid reasons, the following:

ORDER

a. The criminal petition is allowed in-part.

b. The matter is remitted back to the hands of the concerned Court to reconsider the application filed under Sections 451 and 457 of the Cr.P.C.

c. In view of the matter remanded back to the concerned Court, the order dated 04.03.2026 passed on the

petitioner's application, in Crime No.243/2023 stands quashed.

d. The concerned Court shall reconsider the application of the petitioner within eight weeks from the date of receipt of a copy of the order, bearing in mind the observations made in the course of the order.

Ordered accordingly.

Sd/-
(M.NAGAPRASANNA)
JUDGE

nvj