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W.P No.32694 of 2013

IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED : 30.01.2026

CORAM

THE HONOURABLE MR.JUSTICE HEMANT CHANDANGOUDAR

W.P No.32694 of 2013

G.Selvakumar

..Petitioner

Vs

1. The Chairman & Managing Director,
Canara Bank
Corporate Office, Gandhi Nagar,
Bangalore-560009.

2.The General Manager (P) & Appellate Authority,
Personnel Department,
Canara Bank, Head Office,
Manipal -576104
Udupi District.

3.Deputy General Manager
& Disciplinary Authority,
Personnel Department,
Industrial Relations Division
Canara Bank, Head Office,
Manipal-576104, Udupi District.



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4.M.s.Dwaraganath
Chief Manager & Inquiring Authority,
Canara Bank,
Regional Office, Armenian Street,
Chennai-600001.(last known address)
(R1 to R4 cause title amended vide
order of this Court dated 25.09.2023)

..Respondents

Writ Petition is filed under Article 226 of Constitution of India, praying for issuance of a Writ of Certiorarified Mandamus, calling for the records relating to the order dated 20.07.2010 passed by the 2nd respondent by proceedings No.065/PD:IRD/DA-7 confirming the order of punishment passed by the 3rd respondent dated 17.04.2010 in proceedings No. 139/PD:IRD/DA-6 and quash the same and consequently direct the respondents to pay full salary and all attending benefits which the petitioner is entitled to from 28.02.2009 (date of suspension) to till date which is held up due to the above orders of the 2nd and 3rd respondents and pass such further or other orders.

For Petitioner : Mrs.S.Yogalakshmi
For M/s. K.Rajasekaran

For Respondents : Mr.P.Raghunathan
M/s. T.S.Gopalan & Co

ORDER

The petitioner challenges the order passed by the second respondent in Proceedings No. 065/PD/IRD/DA-7, confirming the punishment imposed by the third respondent by order dated 17.04.2010. By the order dated 17.04.2010, the third respondent imposed the punishment of reduction of the petitioner's



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basic pay by two stages in the time scale of pay with immediate effect for a period of two years, with a further direction that the petitioner shall not earn increments during the period of such reduction and that, on expiry of the said period, the reduction shall have the effect of postponing his future increments.

2. The petitioner, while serving as Senior Branch Manager, was issued a charge memo. The allegations levelled against the petitioner are as follows:

i) While functioning as Senior Branch Manager at the Agra Cantonment Branch, he allegedly abused his official position and extended credit facilities to certain sister/associate concerns in violation of the Bank's lending norms and guidelines.

ii) The petitioner relied upon an inflated valuation report and placed the same on record, thereby enabling the release of enhanced credit limits without proper verification of safeguards.

iii) The petitioner failed to disclose the existing liabilities of the firms and their sister/associate concerns and did not place the same before the competent authority while seeking enhancement of credit limits.



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iv) The petitioner sanctioned ODMS limits and created unregistered equitable mortgages in the names of third parties without ensuring compliance with procedural requirements and without adequate authority.

v) While sanctioning and renewing credit limits to firms such as Kailash Automobiles and its sister concerns, the petitioner exposed the Bank to a potential financial loss of Rs.113.80 lakhs plus interest, thereby acting against the interest of the Bank.

3. The petitioner submitted his explanation denying the charges. However, the explanation was found unsatisfactory, necessitating the initiation of departmental proceedings. The Enquiry Officer, after conducting a detailed enquiry, submitted a report holding that the charges against the petitioner were not proved.

4. The third respondent, upon consideration of the enquiry report, accepted the findings in respect of three charges but disagreed with the findings relating to the remaining two charges. Consequently, the petitioner was issued a second show cause notice as to why punishment should not be imposed in



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respect of those two charges. The petitioner submitted a further explanation vide reply dated 15.03.2010.

5. Thereafter, the third respondent, upon consideration of the materials on record and the further explanation submitted by the petitioner, passed the impugned order of punishment, which came to be confirmed by the second respondent. Aggrieved by the same, the present Writ Petition has been filed.

6. Mr.s.S.Yogalakshmi, learned counsel for the petitioner submitted that though the Enquiry Officer had categorically held that the charges were not proved, the 3rd respondent disagreed with the said findings without assigning valid or cogent reasons. She further submitted that the loans were sanctioned and renewed within the petitioner's delegated powers, were duly reported to the higher authorities, and were subsequently renewed even after the petitioner's transfer. It was therefore contended that the sanctions were not in violation of the Bank's lending norms.

7. In response, Mr.P.Raghunathan, learned counsel for the respondent-Bank argued that the petitioner, while serving as Senior Branch Manager, held a position of trust and was duty bound to strictly adhere to the Bank's lending norms and procedures. During his tenure, the petitioner sanctioned and



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recommended credit facilities to Kailash Automobiles and its sister/associate concerns without proper verification, by treating interconnected firms as independent units. It was further contended that the petitioner violated the credit policy and exceeded his delegated powers, relied upon inflated valuation reports, and failed to ensure proper creation of securities, including unregistered equitable mortgages. On account of these lapses, the petitioner exposed the Bank to a likely financial loss of Rs.113.80 lakhs.

8. The learned counsel further submitted that the Disciplinary Authority is empowered to disagree with the findings of the Enquiry Officer and that the impugned order was passed strictly in conformity with the Bank's regulations and the principles of natural justice. The findings of the Disciplinary Authority, being based on evidence and records, do not suffer from illegality or perversity and therefore do not warrant interference.

9. The submissions made by the learned counsel on either side, along with the materials placed on record, have been duly considered.

10. The Enquiry Officer, after conducting a detailed enquiry, submitted a report holding that the charges against the petitioner were not proved. However, the Disciplinary Authority disagreed with the findings of the Enquiry Officer in



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respect of two charges. In the original charge memorandum, it was alleged that the petitioner had sanctioned loans in gross violation of his delegated powers. However, while disagreeing with the Enquiry Officer's findings, the 3rd respondent issued a show cause notice stating that the petitioner had sanctioned loans in gross violation of the Bank's lending norms and guidelines.

11. The 3rd respondent, having disagreed with the findings of the Enquiry Officer in relation to the said two charges, issued a show cause notice calling upon the petitioner to explain as to why the findings on those charges should not be treated as proved and appropriate punishment imposed. The two charges for which the petitioner was required to submit his explanation are as follows:

- i. *By sanctioning credit facilities to Sr. Kailash Cahnd Mittal and his associates, the petitioner exposed the Bank's huge funds to the risk of loss to the tune of Rs.113.80 lakh plus interest.*
- ii. *The petitioner sanctioned ODMS limit of Rs.10.00 lakhs in the name of Mr.Rakesh Kumar in gross violation of guidelines of the bank that too by creating unregistered equitable mortgages in the name of M/s Uma Filling Station/Rakesh Kumar and when the same was not taken note by the competent authority, the petitioner closed/got closed the same on 31.03.2006 by sanctioning fresh ODMS limit of Rs.12.00 lakhs in the name of M/S.Rakesh Kumar Mittal/M& H Contractor.*



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12. As regards Charge No.1, the original allegation was that the petitioner had sanctioned credit facilities totalling Rs.113.80 lakhs to M/s. Kailash Automobiles and five of its sister/associate concerns under his discretionary powers, in gross violation of his delegated powers, by treating the said firms as independent entities.

13. However, the Disciplinary Authority amended the charge after receipt of the Enquiry Report. In such circumstances, the Disciplinary Authority ought either to have issued a fresh charge memorandum or conducted a fresh enquiry in respect of the amended charge. No specific findings were recorded by the Disciplinary Authority to the effect that the loans sanctioned were in gross violation of the petitioner's delegated powers. The procedure adopted, therefore, suffers from legal infirmity.

14. As regards Charge No.2, the original allegation was that the petitioner had accommodated M/s. Kailash Automobiles and its sister/associate concerns at the cost of the Bank and had exposed the Bank's funds to the tune of Rs.113.80 lakhs, plus interest thereon, to a likely financial loss. However, in the amended charge, the allegation relating to "likely financial loss" is misconceived, inasmuch as risk is inherent in banking operations, and no actual loss attributable to the petitioner was either pleaded or proved.



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15. The petitioner, in his defence, specifically contended that, subsequent to his transfer, excessive over drawals were permitted by his successor, which ultimately led to the classification of the accounts as Non-Performing Assets (NPA). This, according to the petitioner, clearly demonstrates that he was not responsible for the alleged irregularities. Though this explanation was adverted to in his reply to the second show cause notice, the same was not rejected by assigning any independent or cogent reasons.

16. The petitioner further submitted an explanation stating that, though the name of the applicant was mentioned as “Rakesh Kumar Mittal” by oversight in the process note, the business and financial parameters discussed therein pertained to M/s. Uma Filling Station. The mistake, according to the petitioner, stood rectified when the limit was closed and reopened in the name of M/s. Uma Filling Station / Rakesh Kumar Mittal.

17. From MEX-45, it is evident that the OD limit was not closed out of the proceeds of the OD limit of Rs.12 lakhs sanctioned to M/s. Rakesh Kumar Mittal. The sanction of the ODMS limit of Rs.12 lakhs was to meet the working capital requirements of the firm. The said sanction was taken note of by the Regional Office, Agra (MEX-19), after considering all parameters required to be examined by the reviewing authority under the credit policy guidelines.



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18. MEX-14 further discloses that the account was briskly operated and remained within the sanctioned limit till the petitioner was relieved from the branch. No lapse was pointed out in the sanction or release of the limit either by the Investigating Officer or by the regular Inspecting Officials.

19. However, without assigning any reasons for rejecting the said explanation, the Disciplinary Authority passed the impugned order stating, in a mechanical manner, that upon careful perusal of all papers, records, and materials, including the petitioner's submissions and further explanation, the charges stood proved based on oral and documentary evidence adduced in the enquiry and not on any extraneous considerations.

20. To sustain the order of the punishment, it is settled principal of law that a punishment in a departmental enquiry can be sustained only when the foundational requirement of valid charge memo adherence to principles of natural justice, proof of charges by legally acceptable evidence, independent application of mind by the disciplinary authority are strictly complied with. Any infraction of these essential elements vitiates the entire disciplinary proceedings and renders the order of punishment liable to be quashed.



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21. In the instance, one charge was amended and the explanation submitted by the petitioner though adverted, was not considered and rejected by assailing any independent reasons. This infraction vitiated the order of punishment, therefore the same is not legally sustainable.

22. Furthermore, the petitioner was also subjected to another enquiry alleging negligence in the opening of bank accounts and sanctioning of loans, thereby exposing the Bank to financial risk, which culminated in his dismissal from service. The said punishment of dismissal was subsequently substituted with compulsory retirement by this Court in W.P. No. 32693 of 2013.

23. Accordingly, the following order is passed;

- i. The writ petition is allowed.
- ii. The impugned order dated 20.07.2010 passed by the 2nd respondent, confirming the order dated 17.04.2010 passed by the 3rd respondents are hereby set aside. Consequently, connected Miscellaneous Petitions if any, are closed.
- iii. There shall be no order as to costs.

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Index : Yes
Internet : Yes



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HEMANT CHANDANGOUDAR, J.

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