IN THE HIGH COURT OF JUDICATURE AT MADRAS

Reserved on : 09.01.2026

Pronounced on: 06.03.2026

CORAM

THE HONOURABLE MRS.JUSTICE K.GOVINDARAJAN THILAKAVADI,J.

C.M.A.No. 3396 of 2025
and C.M.P. No.28113 of 2025

A.Subramanian …Appellant

Vs.

The Competent Authority
Cum District Revenue Officer,
Tiruppur. …Respondents

Prayer: This Civil Miscellaneous Appeal is filed under Section 11 of the Tamil Nadu Protection of Interests of Depositors (in Financial Establishments) Act, 1997, to set aside the order of the learned Special Judge, Special Court under TNPID Act, Coimbatore dated 29.08.2025 in O.A.No.4 of 2024.

For Appellant : Mr.P.V.Balasubramaniam, Senior Advocate
For Mr.M.Roshan Atiq
For Respondent : Mr.P. Gurunathan,
Additional Government Pleader.

JUDGMENT

This appeal is preferred against the order passed in O.A.No.4 of 2024 dated 29.08.2025 on the file of the Special Judge, Special Court under TNPID Act, Coimbatore.

2.The appellant as petitioner has filed O.A.No.4 of 2024 under Section 9 of TNPID Act to raise the attachment in respect of the subject property, mentioned as Item No.5 in O.A.No.35/2013.

3.The contention of the appellant is that, he is a third party to the main proceedings under the TNPID Act, whereby he had purchased the above said property on 15.12.2000 and the same was attached on 14.06.2001 under the guise that the said property was purchased from the funds of the depositors. Hence, prayed for raising the attachment.

4.This petition was resisted by the Authority stating that, as per G.O.Ms.No.558, Home (Court-II A) Department dated 14.06.2001, seven immovable properties of the financial institution namely Ohm Sakthi Finance, were placed under interim attachment, based on the complaints received from the depositors to the effect that the said financial institution defaulted in returning the deposit amounts to the depositors. The Authority had filed O.A.No.35/2013 before TNPID Court, Coimbatore, to make the interim order of attachment absolute and to permit the Authority to sell the properties through public auction and the same was allowed on 28.11.2013. Earlier, the appellant had filed O.A.No.4/2010 to raise the attachment in respect of the petition mentioned property and the same was dismissed on 09.07.2012 against which no appeal was preferred by the appellant. The writ petition preferred by the appellant in W.P.No.26323/2015 to raise the attachment was also dismissed by this Court on 07.02.2023 and no appeal was preferred against the said order. During pendency of the writ petition, except item Nos. 5 & 6, the remaining item Nos. 1 to 3 and 7 were sold in the public auction for sale price of Rs.81.80 lakh. It is further stated that, out of 40 investors, the amount was disbursed to 37 investors with interim interest on 08.06.2016 and 16.08.2016. The depositors have sought for 9% interest from the date of deposit. The remaining principle amount of Rs. 2,10,000/- are yet to be received by three remaining investors. It is further stated that a sum of Rs.67,44,986/- towards interest is payable to all the 40 investors and in order to settle the outstanding amount, it is necessary to sell the attached properties including the subject property through public auction and utilize the sale proceeds for disbursement to the investors. It is further stated that the current market value of the subject property is Rs.40,00,000/- where as, the appellant seeks to secure release of the same by offering only Rs.79,464/- being the value assessed on the date of Government take over, which is wholly untenable and cannot be accepted. Further it is stated that, the transactions which took place in respect of the subject property would reveal about the deliberate intention of obstructing the lawful proceedings initiated by the Government. Hence, prayed for dismissal of the suit.

5.The learned Special Judge, dismissed the said application against which the present appeal is preferred.

6.Heard both sides and records perused.

7.It is not in dispute that a sum of Rs.55,93,500/- was deposited by several depositors in M/s. Ohm Sakthi Finance and the said financial establishment defaulted in repaying the said deposits and hence, proceedings were initiated under TNPID Act. In pursuant to G.O.Ms.No.558 Home (Court

II A) Department, dated 14.06.2001, an interim attachment order was passed in respect of 7 properties including the petition mentioned property of the petitioner. On that basis, the respondent / Authority had filed O.A.No.35/2013 before TNPID Court, Coimbatore, to make the interim order of attachment absolute and also to permit the respondent/Authority to sell the properties through public auction and the same was allowed on 28.11.2013. It is also not in dispute that, pursuant to the said order, the properties listed in the Government Order pertaining to item Nos.1, 2, 3 and 7 were sold through public auction, and a total amount of Rs.81,80,000/- was released.

8.It is the specific case of the respondent/Authority that the properties shown in Sl.No.4 & 5 which were provisionally attached by the Government vide G.O.Ms.No.558 Home (Court II A) Department, dated 14.06.2001 were transferred during the intervening period after a case has been registered against the above said financial institution under Sections 120-B, 406 & 420 of IPC.

9.The above properties were initially owned by the proprietors of the said firm. Thereafter, the proprietors namely Venkatachalam and Leelavathy executed and unregistered GPA in favour of one Nithiyakalyani, who in turn executed a sale deed in favour of her husband Ramakrishnan. Thereafter, the properties were sold to the present appellant, as well as to one Sivaraj and Anusuya Devi. Therefore, it is crystal clear that the above transactions were evidently carried out with the deliberate intention of obstructing the lawful proceedings initiated by the Government.

10.Though the appellant would plead that he is an innocent purchaser, it is settled law that the purchasers of immovable properties are duty bound to verify all pending litigations or encumbrances before effecting such purchase. Moreover, the property has been purchased by the appellant after registration of the FIR against the financial institution. The application and writ petition filed by the appellant for raising attachment in respect of the subject property were dismissed and no appeal has been preferred against the said order. Though the petitioner has come forward to deposit a sum of Rs.79,464/-, being the value assessed as on the date of Government Order, the same cannot be accepted for the reason that as per the report of the Tahsildar, Tiruppur south marked as Ex.R2, the market value of the subject property is about Rs.40

Lakh, which is much higher than the amount stated by the appellant. The amount quoted by the appellant will not be sufficient to repay the depositors. Though it has been claimed by the appellant that, a sum of Rs.25,53,500/- is available with respondent/Authority, to satisfy the depositors, the same is negated by the respondent/Authority by producing Ex.R4 bank statement, stating that only a sum of Rs.6,40,784/- is available with them. Apart from that, the learned Additional Government Pleader for the respondent/Authority submitted that the depositors had sought for interest at the rate of 9% per annum and to satisfy the same, further amount is required and the same can be disbursed only by selling the remaining properties which were attached. The copy of letters of the depositors marked as Ex.R1 would reveal that they have demanded for interest at the rate of 9% from the date of deposit till date. Pointing out the same, the learned AGP would contend that a sum of Rs.63,14,202/- is required to satisfy the depositors. As rightly pointed out by the learned Judge, it is the privilege of the depositors to sustain their claim for interest on their deposits and as such, the same cannot be said to be made by the respondent/Authority of their own. Moreover, it is not established by the appellant that the letters submitted by the depositors are created by the respondent/Authority. Therefore, even if the rate of interest had not been stipulated in the order made in O.A.No.3/2016, there is a direction to disburse the amount with interest.

11.Further, the Special Court, in clear terms held that the sale in favour of the appellant was executed in order to defeat the interest of the depositors and not in good faith. Section 3(ii) of the TNPID Act, enumerates that "where the Government have reason to believe that any financial establishment is acting in a calculated manner with an intention to defraud the depositors, then the Government is empowered to attach the property."

12.In the present case, the Government has issued the Government Order dated 14.06.2001 for interim attachment of the defaulted financial establishment's properties, which includes the appellant property. Thereafter, the interim attachment order was made absolute vide order dated 28.11.2013 passed by the TNPID Court in O.A.No.35/2013.

13.The Special Court made a categorical finding that the sale was executed so as to believe that there was malafide intention on the part of the proprietor of the finance company to defeat the interest of the depositors.

Admittedly, the sale considerations from the sale in favour of the appellant were not deposited nor disbursed to the depositors so as to discharge the matured deposits to establish bonafideness. If the alleged sale transaction is done with good intention, the finance company ought to have settled the depositors in respect of matured deposits and such documents ought to have been filed before the Special Court. In the absence of any such proof, the special Court has made the interim attachment absolute.

14.Section 8 of the TNPID Act, enumerates that "Where the assets available for attachment of a financial establishment or other person referred to in Section 3 are found to be less than the amount or value which such financial establishment is required to repay to the depositors and where the Special Court is satisfied by affidavit or otherwise, that there is reasonable cause for believing that the said financial establishment has transferred, any of the property otherwise then in good faith and for consideration, the Special Court may, by notice, require any transferee of such property to appear on a date to be specified in the notice and show cause why so much of the transferee's property as is equivalent to the proper value of the property transferred should not be attached.

15.Section 9 of the TNPID Act, 1997 deals with the power of the Special Court to release property from attachment upon furnishing security. The Court can allow the release of attachment property upon the deposit of security that was deemed sufficient by the Special Court. The security must cover the default amount. In the present case, the appellant has filed an application under Section 9 of the TNPID Act before the Special Court offering to provide a sum of Rs.79,464/- as per the guideline value. This was objected on the side of the respondent stating that, the default amount is Rs. 67,44,986/-, where as the appellant offer is only Rs.79,464/-. Without giving any security for the remaining defaulted amount, the appellant cannot claim for raising the attachment. It is further contended that, the current market value of the subject property is Rs.40,00,000/- and that a sum of Rs.67,44,986/- is payable to all the 40 investors and in order to settle the outstanding amount, it is necessary to sell the attached properties including the subject property through public auction. Attachment can be raised only on depositing reasonable market value of the scheduled property.

16. Further, Section 9 of the TNPID Act speaks of sufficient security to the satisfaction of the Court. The person whose property has been attached under the Act may provide security *in lieu* of attachment equivalent to the value of the property sought to be released. If the security offered in lieu of such attachment is satisfactory and sufficient in respect of the property which is sought to be released from such attachment, the Special Court is empowered to raise the attachment. Since the appellant failed to provide sufficient security to the satisfaction of the Special Court, the learned Judge has rightly dismissed the application filed by the appellant, warrants any interference.

17.For the foregoing reasons, the appeal is liable to be dismissed and accordingly, the same is dismissed. No costs. Consequently, connected miscellaneous petition is closed.

06.03.2026

vsn

Internet:Yes/No
Index:Yes/No
Speaking/Non-speaking order

To

1. The Special Judge, Special Court under TNPID Act, Coimbatore
2. The Section Officer, VR Section, High Court, Madras.

K.GOVINDARAJAN THILAKAVADI, J.

vsn

Pre-delivery Judgment made in
C.M.A.No. 3396 of 2025

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