



W.P(md)No.937 of 2026

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BEFORE THE MADURAI BENCH OF MADRAS HIGH COURT

Reserved On: 06.01.2026

Pronounced On: 22.01.2026

CORAM

THE HONOURABLE DR.JUSTICE **G.JAYACHANDRAN**

AND

THE HONOURABLE MR.JUSTICE **K.K.RAMAKRISHNAN**

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M/s.Chithra Agencies Private Limited,
Rep by its Managing Director,
Mr.Sriram Gunasekaran,
No.58, New Natham Road,
Bhagyalakshmi Nagar, Thiruppalai,
Madurai-625 017.

... Petitioner

Vs.

The Authorized Officer,
Specialized ARM Branch,
Canara Bank,
Vasanthanagar Branch,
Madurai-625 017.

...Respondent

Prayer: Writ Petition filed under Article 226 of the Constitution of India, to issue a Writ of Certiorarified Mandamus, calling for the records relating to the impugned notice dated 26.11.2025 by the respondent and quash the same and directing the respondent to credit the proceeds of the fixed deposits to the petitioner's account.



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For Petitioner :Mr.G.Vairavasubramanian
For Respondent :Mr.C.Deepak

ORDER

(Judgment of the Court was delivered by DR.G.JAYACHANDRAN,J.)

The writ petitioner M/s.Chitra Agency Pvt., Limited is an authorised dealer for Castrol India Ltd. For its business purpose, the writ petitioner had availed cash credit facility from the Canara Bank, Vasantha Nagar Branch, Madurai, the respondent herein. The total fund based limit periodically enhanced from Rs.13 crores to Rs.28.64 crores. Apart from availing the OCC/ODBD facility by furnishing immovable properties as security, the writ petitioner has also availed a Bank Guarantee facility to the tune of Rs.65 lakhs for the supply made by Castrol India Ltd. For the said Bank Guarantee, the respondent Bank instructed the Writ Petitioner to maintain 100% margin money in the form of Fixed Deposit, which the writ petitioner has duly complied. For the default in payment of the loan amount, the respondent Bank had credited the FD maturity amount of Rs.47,44,930/- into the loan account. Hence, a writ of mandamus to direct the respondent Bank to reverse the credited amount into the writ petitioner's account.

2.The details of Bank Guarantee issued by the Bank :



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Bank Guarantee Number	Amount
M56GPGE213135001	5,00,000/-
M56GPGE212935002	15,00,000/-
M56GPGE222365008	10,00,000/-
M56GPGE191140002	15,00,000/-
M56GPGE213135001	20,00,000/-
Total	65,00,000

3.The writ petitioner claims, the following fixed deposits made in the respondent Bank :

S.No.	TDR Account No.	Deposit Date	Amount (?)	Deposit Period	Maturity Date	Maturity Amount (?)
1	140044985888 - 4	05.04.20 25	8,45,008	12 months	05.04.2025	9,04,396.00
2	140028395959 - 5	20.10.20 25	18,81,33 7	12 months	20.10.2026	20,01,705.00
3	140170266106 - 2					11,72,419.00
4	130005652987 - 13					28,47,563.00
5	246140100199 2 - 4					4,25,684.00
6	246140100199 3 - 4					3,19,264.00
					Total Maturity	76,71,031.00

4.The case of the writ petitioner is that, for the default in payment of OCC/ODBD loan to the tune of Rs.26,01,44.933.02 (Rupees Twenty six Crores One Lakh Fortyfour Thousand Nine hundred and Thirty Three and Paise Two) the respondent Bank issued notice, dated 22.09.2025 under section 13(2) of SARFASI Act, calling upon the writ petitioner to repay the



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loan due. Thereafter, the Bank initiated the steps to auction the properties given as security. Challenging the same, the writ petitioner has filed S.A.No. 20 of 2026 before the Debt Recovery Tribunal at Madurai and had obtained an order of stay of sale notice on condition that the writ petitioner to deposit 30% of the loan due in four equal instalments of Rs.1,98,46,500/- each between 07.02.2026 and 30.04.2026. While so, the respondent Bank, on maturity of the 4 fixed deposits, had appropriated the matured amount of Rs.47,64,930/-, towards the credit of the Cash Credit account, though the writ petitioner has not utilised the loan amount for its investment in the fixed deposit. When this was questioned by the writ petitioner through notice dated 22.10.2025, the respondent bank had replied that the Bank has right to do so in view of Section 171 of the Contract Act, 1872.

5. According to the Writ petitioner, Castrol India Ltd., in whose favour the Bank Guarantee was availed, had informed the writ petitioner as well as the respondent Bank vide letter dated 05.11.2025 that they don't have any claim from the above Bank Guarantees and had permitted the writ petitioner to cancelled the Bank Guarantees. On receipt of the letter from Castrol India Ltd, the writ petitioner wrote a letter to the respondent Bank on 15.11.2025 to reverse the credits made to the CC Account. The respondent Bank refused to reverse the credit citing section 171 of the Contract Act, which in fact not



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applicable for the margin money maintained by the borrower for Bank Guarantee, which is independent of the general loan transaction. The fund earmarked for specific purpose ie., Bank Guarantee cannot be appropriated for the general loan. Once the Bank Guarantee is cancelled without being invoked, the specific purpose for which the Bank Guarantee created gets satisfied and legally the purpose of specific bailment gets over. The respondent Bank cannot convert a specific purpose security into a general purpose security just because another account (Cash Credit Account) is in default, unless the security documents specifically allows for 'cross – collateralisation'.

6.The Learned Counsel appearing for the Respondent Bank submitted that, the Bank had initiated SARFAESI action against the writ petitioner. The Fixed deposit in question is liable to be proceeded for part set-off of the outstanding amount read with Section 171 of the Indian Contract Act, 1872. Though the contractual obligation with the Castrol India Ltd is duly satisfied, the Fixed Deposit in the name of the Borrower cannot be returned on its maturity since the Bank have a lien over it. The writ petitioner admits that there is Cash Credit loan outstanding of around 26 crore rupees payable to the respondent Bank. The Fixed deposits with total maturity value of Rs.78,71,031.00 is the 100% margin money of the Bank Guarantee issued by



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the respondent Bank on behalf of the writ petitioner in favour of Castrol India Ltd. Even though Castrol India Ltd., had written to the respondent Bank that they do not have any claim against the Bank Guarantee and the same may be cancelled, for the loan due, the Bank has a general lien on the FD's and appropriate the maturity amount, though the special lien over the FD's is discharged.

7.We heard the learned counsels appearing for the writ petitioner and the respondent.

8.The point for consideration is whether the Fixed deposits held as margin money for Bank Guarantee can be held as lien by the Banker for the loan due and payable by the writ petitioner, when there is no specific agreement between the borrower and the banker.

9.Section 171 of the Indian Contract Act reads as below:-

“171.General lien of bankers, factors, wharfingers, attorneys and policy-brokers.-

Bankers, factors, wharfingers, attorneys of a High Court and policy-brokers may, in the absence of a contract to the contrary, retain as a security for a general balance of account, any goods bailed to them; but no other persons have a right to retain, as a security for such balance, goods bailed to them, unless there is an



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express contract to that effect.”

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10.The learned Counsel for the writ petitioner argued that, the loan sanction letter issued by the Bank on 06.07.2023, specifies the Fixed Deposits as part of the collateral securities. However, when the facility was renewed, vide sanction letter dated 18.08.2024, Fixed deposits were excluded from the list of security. Therefore, for the default of the loan, the matured amount of the Fixed Deposit cannot be appropriated.

11.Section 171 of the Indian Contract Act speaks about the right of the Banker to retain the goods bailed to them as security for the general balance of account. The borrower cannot claim exclusion of bailed goods from lien unless there is contract to contrary. It is not other way round. Even though the Bank Guarantee extended by the Bank had come to close, the specific lien over the FD's had come to an end. The general lien over the FD's under section 171 of the Indian Contract Act is enforceable, unless the bank had expressly waived it right of lien.

12.In legal parlance and banking transaction, the term 'security' and its effect is different from the term 'Lien' and its effect. Exclusion of the FD's in list of securities while renewal of the loan no way extinguish the



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right of the bank to hold the FD's as general lien in the absence of contract to contrary.

13.In financial terms, security refers to an asset, a borrower provides to a lender to secure a loan or credit facility. This asset is a form of guarantee, mitigating the lender's risk, in case the borrower defaults on the loan repayment. Lien is a right to keep possession of property belonging to the borrower until a debt owed by the borrower is discharged. The right of general lien conferred to Bankers under Section 171 of the Indian Contract Act, 1872 permits the Bankers to retain goods bailed to them as security for any *general balance of account*, not just for services related to those specific goods, unless a contrary contract exists. This right lets them hold any goods for any debt due, unlike a specific lien.

14.Therefore, even after the extinguishment of specific lien created for issuance of Bank Guarantee, the general lien for the loan will not get extinguished till the loan is discharged or there is contract in contrary. In this case, there is no contract to contrary or explicit waiver by the Bank its right of general lien. Hence, the relief sought in the writ petition bound to be declined.



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15.In the result, this Writ Petition stands dismissed. No order as to

costs.

[G.J., J.] & [K.K.R.K., J.]
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Index :Yes/No
Internet :Yes
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