



**IN THE HIGH COURT OF PUNJAB AND HARYANA
AT CHANDIGARH**

RSA-1887-1991 (O&M)

Reserved on :- 10.02.2026

Date of Pronouncement:-12.02.2026

Uploaded on:-12.02.2026

State Bank of Patiala

... Appellant

Versus

M/s Lakshmi Narain Babu Ram and Others

... Respondents

CORAM: HON'BLE MR. JUSTICE VIRINDER AGGARWAL

Argued by :-

Mr. Sumit Narang, Advocate
for the appellant.

None for the respondents.

VIRINDER AGGARWAL, J.

1. The appellant–plaintiff, aggrieved by the judgment and decree dated 03.01.1991 passed by the learned District Judge, Faridkot, whereby the well-reasoned judgment and decree dated 08.08.1986 of the learned Sub-Judge Ist Class, Faridkot, was reversed, has invoked the appellate jurisdiction of this Court by filing the present Regular Second Appeal (hereinafter referred to as “RSA”). The appellant-Bank seeks restoration of the decree granted by the learned Trial Court, contending that the impugned judgment suffers from patent perversity, errors of law, and a flawed appreciation of the evidence on record, resulting in miscarriage of



justice. The appellant accordingly prays for setting aside the impugned judgment and decree and for reinstatement of the decree passed by the learned Trial Court.

2. The factual matrix leading to, and culminating in, the present appeal may be succinctly delineated as under:-

“The State Bank of Patiala instituted a suit for recovery of ₹50,965.46, comprising ₹35,011.50 as principal and ₹15,953.96 as interest, through its Regional Manager against the respondent–defendant firm, M/s Lakshmi Narain Babu Ram. The suit arose from demand negotiation of multiple documentary bills and hundies tendered by defendant No.2 between October and November 1978, for which payments were made by the Bank after deduction of charges. Upon dishonour of the bills, the Bank took delivery of goods, sold the same, and adjusted the proceeds. Subsequently, by mutual settlement, defendant No.2 executed promissory notes dated 30.11.1979 for ₹35,011.50 with agreed interest, duly guaranteed by defendants No.3 and 4. After adjustment of payments and sale proceeds, the outstanding interest was computed at ₹15,953.96, giving rise to the present suit.”

3. Upon service of summons, the defendants entered appearance and filed their respective pleadings as under:-

“The suit was contested by the defendants. Defendants No.1 and 2 filed separate written statements, while defendants No.3 and 4 filed a joint written statement. Defendants No.1 and 2 pleaded that the hundies were dishonoured for reasons beyond their control, leading to sale of goods by the Bank, and that the balance amount was agreed to be paid in instalments over eight years. They alleged that the promissory notes and loan documents were vitiated by fraud and misrepresentation,



asserting that a settlement for ₹35,011.50 without interest was accepted and that ₹9,600/- had been paid. Defendants No.3 and 4 similarly contended that their guarantee was limited to the said amount payable in instalments and was obtained through fraud.”

4. Upon consideration of the pleadings and submissions of the parties, the learned trial Court framed the following issues for adjudication:-

1. *Whether the plaintiff is a corporate body as alleged in para No.1 of the plaint? OPP*
2. *Whether the plaint has been signed, verified and presented by a competent person? OPP*
3. *Whether the defendant executed demand promissory note dated 30.11.1979 under fraud, mis-representation and undue influence? OPD*
4. *Whether the plaintiff obtained the signatures of defendants No.3 and 4 on guarantee deeds and demand promissory note dated 30.11.1979 by fraud, misrepresentation and undue influence? OPD*
5. *Whether defendants No.3 and 4 stood guarantee only to the extent of ₹35,001.50 paise by way of instalments as alleged?OPD (Objected to) (Objection overruled).*
6. *Whether defendants No.3 and 4 stood guarantee for the interest of principal amount? OPD*
7. *Whether the plaintiff has committed breach of contract as alleged and defendant's liability stood extinguished? OPD*
8. *What amount is due to the plaintiff? OPP*
9. *Whether letter dated 19.5.1979 written by the defendants No.1 and 3 to the plaintiff was rejected by the plaintiff? OPP*
10. *If above letter was not rejected, what is its effect? OPD*



11. Relief.

5. Both parties were afforded adequate opportunity to lead evidence in support of their respective cases. Upon conclusion of the trial and after hearing learned counsel for both sides, the learned Trial Court **decreed** the suit.

5.1. Aggrieved by the said judgment and decree, the respondents—defendants preferred an appeal before the learned First Appellate Court, which was **allowed**.

6. Challenging the judgment and decree passed by the learned First Appellate Court, the appellant/plaintiff-Bank instituted the present appeal. Notices were issued; however, despite due service, the respondents chose not to appear and contest the proceedings. The records of the Courts below were requisitioned and perused for effective adjudication.

7. I have heard learned counsel for the appellant-Bank at length and have given anxious and careful consideration to his submissions in the light of the pleadings and the evidence on record.

8. Learned counsel for the appellant-Bank contended that the learned First Appellate Court has misread the evidence and reversed the well-reasoned judgment and decree passed by the learned Sub-Judge Ist Class, Faridkot, on the basis of surmises and conjectures. It was submitted that the execution of the guarantee deeds, Ex.P15 and Ex.P16, stood duly proved on record and that respondents No.3 and 4 had admitted their signatures on the guarantee deed dated 30.11.1979. Learned counsel further argued that the learned First Appellate Court misinterpreted letter



Ex.D2 issued by the Branch Manager, as the said letter does not state that the amount of ₹35,011.50/- was payable without interest.

9. Accordingly, it was prayed that the impugned judgment be set aside and the findings recorded by the learned First Appellate Court be reversed.

10. The learned First Appellate Court recorded its findings in paragraph No.7 of the impugned judgment, the relevant extract whereof is reproduced here-in-below:-

“The Bank Manager has written a letter dated 30-11-1979 to defendants No. 3 and 4 agreeing that in order to secure the bank interest accepted guarantee for repayment of outstanding ₹35,011.50/- without interest by monthly instalments of ₹400/- to be commence from 1st October, 1979, with the condition that the instalments for October, November and December, 1979 would be deposited immediately.”

11. The learned First Appellate Court founded its conclusions upon letter Ex.D2, observing as follows:-

“As earlier mentioned that letter Ex.D2 written by Karnail Singh is dated 30.11.1979 and the bank agreed to accept the amount of ₹35,011.50/- without interest and in installments of ₹400/- per month. This fact is further supported by the documents Ex.D3 and Ex.D4 which are balance sheets of ₹29,011.50/- and ₹25,411.50/-. If the bank has not agreed to the installments and without interest, then these two documents would have been showing the balance amount alongwith the interest. These two documents also clearly prove that the plaintiff-bank has accepted the proposal of the defendants for the receipt of ₹35,011.50/- without interest and by installments.”



12. Thus, the foundational document relied upon by the learned First Appellate Court for recording its findings is Ex.D2. Ex.D2 i.e. the letter dated 30.11.1979, reads as under:-

“We purchased Documentary bills M/s Lakshmi Narain Babu Ram. aggregating Rs.98713.50/- from The bills could not be retired by the drawee due to violent fluctuations in the market rates. Under proper authority from the borrowers the goods covered by the bills were sold out & sale proceeds amounting Rs.63,702/-have been kept in the Sundry Deposit A/c. The short fall in the account comes to Rs.35,011.50/-. As a result of your agreeing to secure the Bank interests, we accept your guarantee for the repayment of outstanding of Rs.35,011.50/- without interest by monthly instalment of Rs.400/- to be commenced from 1st October, 1979 with the condition that instalments for October, November & December, 1979 would be deposited immediately.”

13. The authenticity of letter Ex.D2 was not disputed by Karnail Singh, who appeared as PW-4. In his cross-examination, he deposed as under:-

“I have seen letter dated 30.11.1979 Ex.D2 and it was issued by me on behalf of the Bank. I had given the letter Ex.D2 and a similar letter to Sh. Ram Sharan Dass, the contents of these letters were correct, I signed the same after going through the contents of these letters. Our bank maintains and used to maintain despatch under the receipt register. I had written the letter and referred the case to the Head Office, Patiala.”

14. Ex.D2 is a communication issued by the Branch Manager on behalf of the Bank, wherein the Bank agreed to the repayment of an amount of ₹35,011.50/- without interest in monthly installments of ₹400/-, a fact duly admitted by Karnail Singh, PW-4, in his testimony. As the Branch Manager, Karnail Singh was the principal Officer of the Bank at



the relevant branch and acted as its authorized representative capacity in dealings with customers. The customers were, therefore, entitled to rely upon the genuineness and authority of such communication. In these circumstances, the appellant-Bank cannot be permitted to resile from the said position by contending that the letter constituted a mere proposal forwarded to the Head Office and that its contents were subsequently rejected.

15. Nothing on record suggests that Ex.D2 was merely a proposal forwarded for approval to the customers or the Head Office of the Bank. On the contrary, it reflects a concluded decision of the Bank communicated to the guarantors, whereby the Bank agreed to accept the amount without interest. In view of the aforesaid discussion, no illegality or infirmity is discernible in the findings recorded by the Courts below. Consequently, the appeal, being devoid of merit, is hereby **dismissed**.

16. Since the principal appeal has now been adjudicated and stands finally disposed of on merits, all ancillary, interlocutory, or pending application(s), if any, are shown to be subsisting on the record shall, by necessary implication, also stand disposed of, as no separate orders are required thereon.

12.02.2026
Gaurav Sorot

(VIRINDER AGGARWAL)
JUDGE

Whether reasoned / speaking? Yes / No

Whether reportable? Yes / No