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

**CWP-11700-2026 (O&M)
Date of decision: 29.04.2026**

Naresh

... Petitioner

Vs.

State of Punjab and others

... Respondents

CORAM: HON'BLE MR. JUSTICE HARPREET SINGH BRAR

Present: Mr. Rahul Garg, Advocate
for the petitioner.

Mr. Amit Shukla, DAG, Punjab.

Mr. Kunwar Rajan, Advocate
for respondent No.4.

HARPREET SINGH BRAR, J. (ORAL)

1. Present civil writ petition has been filed under Articles 226/227 of the Constitution of India for issuance of a writ in the nature of *mandamus* directing the respondents to release the arrears of retiral benefits including gratuity, leave encashment and other consequential benefits along with interest on the delayed payment.

2. Learned counsel for the petitioner, *inter alia*, submits that the



petitioner was appointed as Safai Sewak with respondent No.4 in the year 1988 against a regular post and on attaining the age of superannuation, he retired in the month of March, 2026 from the said post. At that time, an amount of Rs.10.00 lakhs was released towards part payment of retiral dues, however, the remaining amount has illegally been withheld by respondent No.4. Thereafter, the petitioner approached the respondent authorities for release of his full pensionary benefits, but respondent No.4 verbally told him that since he has availed loan from respondent No.5-Bank, recovery is to be made from his retiral dues.

3. It is further contended that the petitioner availed a loan of Rs.3.90 lakhs in the year 2013 and till December, 2020, he repaid an amount of Rs.49,600/- in cash to respondent No.5-Bank, however, despite execution of irrevocable authority, no deductions regarding installments from his salary were made during the said period. Further, respondent No.5-Bank started deduction of installments of Rs.8,000/- per month from the salary of the petitioner, which continued till 14.10.2025 and as such, total amount of Rs.4,56,000/- was recovered. The petitioner also paid Rs.10,000/- per month from 09.12.2025 to 12.03.2026, thus, he repaid total amount of Rs.5,55,600/- towards the aforesaid loan and on 12.03.2026, total outstanding loan amount came to Rs.1,83,200/-, as discernible from loan account statement (Annexure P-2).

4. Further, on several occasions, the petitioner approached



respondent No.5-Bank to clear the outstanding loan amount, however, an excessive and inflated amount of Rs.11-12 lakhs was demanded. The petitioner also sent a representation on 24.03.2026 to respondent No.5-Bank (Annexure P-3). Learned counsel relies upon Section 39 of the Punjab Cooperative Societies Act, 1961 (for short 'the Act'), which provides that deduction can only be made from the "salary or wages" of an employee and not from the retiral or pensionary benefits. As such, action of respondent No.4-Bank is illegal, arbitrary and without any authority of law.

5. Learned counsel for the petitioner further submits that the petitioner is 60 years of age and due to serious kidney disease, he is undergoing regular dialysis, as discernible from his medical reports (Annexure P-4). The petitioner submitted a representation (Annexure P-5) on 08.04.2026 to respondent No.4-Council to release the retiral dues, which remains unheeded.

6. *Per contra*, learned counsel for respondent No.4-Council has produced short reply by way of affidavit of Gurcharan Singh, Executive Officer, Municipal Council, Nabha, on behalf of respondent No.4, in the Court today, which is taken on record and copy thereof has been supplied to learned counsel for the petitioner. Registry is directed to tag the same at the appropriate place of the case file. He contends that at the time of availing the loan in the year 2013, the petitioner executed an irrevocable authority allowing deduction from his salary in the event of default, with a further



stipulation that the authority would survive even upon his retirement. He places reliance on a circular dated 24.06.2025 (Annexure R-4/1) issued by the Finance Department, Government of Punjab and as per Point 3(ii) thereof, at the time of retirement of an employee, if there is outstanding loan amount, the concerned DDO/Pension Sanctioning Authority will ensure recovery from the retiral benefits of the said employee. Further, after making communications by respondent No.4 with respondent No.5 to issue 'No Dues Certificate' to the petitioner, when respondent No.5 refused to issue the same on the ground of outstanding loan amount of Rs.8,66,870/-, the petitioner was duly informed in this regard by writing a letter on 11.03.2026, as discernible from letters dated 25.02.2026, 03.03.2026 & 11.03.2026 (Annexures R-4/2 to R-4/4). When the petitioner failed to clear the outstanding loan amount, respondent No.5-Bank wrote a letter dated 30.03.2026 (Annexure R-4/5) to respondent No.4-Council to deduct the aforesaid outstanding amount from his retiral dues. It is thus argued that action of the respondents is in consonance with the statutory provisions contained in Section 39 of the Act and the instructions dated 24.06.2025 (Annexure R-4/1).

7. I have heard learned counsel for the parties and perused the record of the case file with their assistance. It is not in dispute that the petitioner had availed a loan in the year 2013 and he stands retired from service of respondent No.4 in the month of March, 2026. Further, the petitioner is suffering from serious kidney disease and he has to undergo



regular dialysis.

8. A plain reading of Section 39 of the Act makes it abundantly clear that it authorizes deduction from the “salary or wages” of an employee pursuant to an agreement executed in favour of a cooperative society. The provision does not, in any manner, extend to or authorize recovery from retiral or pensionary benefits payable to the employee. Thus, the reliance placed by the respondents on Section 39 of the Act is wholly misconceived and legally untenable. For ready reference, Section 39 of the Act reads as under:-

“39. Deduction from salary to meet co-operative societies' claim in certain cases.-

(1) Notwithstanding anything contained in any law for the time being in force a member of a co-operative society may execute an agreement in favour of the society providing that his employer shall be competent to deduct from the salary or wages payable to him by the employer, such amount as may be specified in the agreement and to pay the amount so deducted to the society in satisfaction of any debt or other demand owing by the member to the society.

(2) On the execution of such agreement, the employer shall, if so required by the co-operative society by a requisition in writing and so long as the society does not intimate that the whole of such debt or demand has been paid, make the deduction in accordance with the agreement and pay the amount so



deducted to the society, as if it was a part of the salary or wages payable in the day as required under the Payment of Wages Act, 1936 (IV of 1936). Such payment shall be valid discharge of the employer for his liability to pay the amount deducted.

(3) If after the receipt of a requisition made under subsection (2), the employer at any time fails to deduct the amount specified in the requisition from the salary or wages payable to the member concerned or makes default in remitting the amount deducted to the society, the society shall be entitled to recover any such amount from the employer as arrears of land revenue and the amount so due from the employer shall rank in priority in respect of the liability of the employer equal to that of the wages in arrears.”

(emphasis supplied)

9. Further, perusal of letters dated 25.02.2026 & 03.03.2026 (Annexures R-4/2 & R-4/3) indicates that upon making a request by respondent No.4-Council to issue No Dues Certificate to the petitioner, respondent No.5-Bank, vide letter dated 03.03.2026, refused to issue the same, citing an excessive and inflated outstanding loan amount of Rs.8,66,870/-. However, from bare reading of loan account statement (Annexure P-2), it is clear that an amount of Rs.1,83,200/- is to be paid towards outstanding loan amount as on 12.03.2026.

10. In view of the above discussion, present writ petition is allowed and the respondents are directed to release the retiral benefits of the petitioner,

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including gratuity, leave encashment and other admissible dues within a period of three months from the date of receipt of a certified copy of this order.

11. All pending miscellaneous application(s), if any, shall be disposed of.

29.04.2026
vishnu

[HARPREET SINGH BRAR]
JUDGE

Whether speaking/reasoned : Yes/No

Whether reportable : Yes/No