2026:UHC:2472

# HIGH COURT OF UTTARAKHAND AT NAINITAL

**Writ Petition Misc. Single No.2032 of 2023**

**02nd April, 2026**

Mohan Lal .....Petitioner

**Versus**

Reserve Bank of India and others .....Respondents

With

**Writ Petition Misc. Single No.2500 of 2023**

Rajendra Singh .....Petitioner

**Versus**

Reserve Bank of India and others .....Respondents

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Presence:-
Mr. Altaf Hussain, learned counsel holding brief of Mr. Aakib Ahmed, learned counsel for the petitioners.
Dr. Kartikey Hari Gupta, learned counsel for the respondents.

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**Hon'ble Pankaj Purohit, J.**

These two writ petitions, namely Writ Petition (M/S) No. 2032 of 2023 (Mohan Lal vs. Reserve Bank of India & others) and Writ Petition (M/S) No. 2500 of 2023 (Rajendra Singh vs. Reserve Bank of India & others), have been heard together as they involve substantially similar questions of law relating to the legality of repossession of financed vehicles by a Non-Banking Financial Company and the maintainability of writ petitions in such matters. Though the factual matrix in both petitions is not identical in all respects, the core issues being common, both petitions are being decided by this common judgment, while noticing their individual facts separately.

2. In Writ Petition (M/S) No.2032 of 2023, the petitioner-Mohan Lal, a Transporter by profession, is the

registered owner of a goods vehicle bearing registration No. UP-26-6199, which was financed by respondent no.3– Indostar Capital Finance Limited. The respondent sanctioned a loan of Rs.31,40,848/- for purchase of the said vehicle, which was repayable in 66 equated monthly instalments. As per the petitioner, he has already paid a sum of Rs.14,66,850/- towards the loan amount. It is the case of the petitioner that only an amount of Rs.1,84,030/- remained due as on 22.06.2023, however, an additional sum of Rs.47,994/- has been arbitrarily added by the respondent without justification. On 25.06.2023, while the vehicle was on a commercial consignment, it is alleged that recovery agents of the respondent forcibly intercepted the vehicle, removed the driver, and repossessed the same without following due process of law. Despite subsequent representations and issuance of a legal notice, the vehicle was not returned.

3. In Writ Petition (M/S) No.2500 of 2023, the petitioner-Rajendra Singh, who is also engaged in the business of transportation, is the registered owner of a goods vehicle bearing registration no. UK-06-CA-8813. The said vehicle was financed by respondent no.3 through a loan of Rs.15,00,000/-, repayable in 44 monthly installments. The petitioner asserts that he has already paid a sum of Rs.18,64,891/-, which is more than the principal loan amount. According to the petitioner, only an amount of Rs.1,77,359/- remained due as on 28.08.2023, however, an additional sum of Rs.60,067/- has been added without justification. The petitioner further alleges that the respondent, through its recovery agents, has forcibly repossessed or attempted to repossess the vehicle in violation of law and binding guidelines. It is also the case of the petitioner that such action has severely affected his livelihood.

4. Both the petitions, thus, arise out of loan transactions entered into between the petitioners and respondent no.3, wherein disputes have arisen regarding the outstanding amounts as well as the legality of the action taken by the respondent in repossessing the vehicles allegedly through coercive means.

5. Learned counsel for the petitioners submitted that the action of the respondent in forcibly repossessing the vehicles is wholly illegal and contrary to the binding guidelines issued by the Reserve Bank of India regulating recovery practices of banks and financial institutions. It is contended that such guidelines have statutory force and are binding on Non-Banking Financial Companies, and any violation thereof renders the action arbitrary and amenable to writ jurisdiction under Article 226 of the Constitution of India. It is further submitted that the Hon'ble Supreme Court in the cases of *ICICI Bank Ltd. vs. Prakash Kaur & Ors., (2007) 2 SCC 711* and *Citicorp Maruti Finance Ltd. vs. S. Vijayalaxmi & Anr., (2012) 1 SCC 1* has categorically deprecated the practice of employing musclemen or recovery agents for repossession of vehicles and has held such actions to be impermissible in law. It is argued that in the present cases, the repossession has been carried out in a coercive and unlawful manner, violating the dignity and rights of the petitioners.

6. Learned counsel for the petitioners further contended that the dispute is not merely contractual in nature, as the impugned action involves violation of statutory guidelines and fundamental rights. It is argued that the petitioners have been deprived of their livelihood, as the vehicles in question constitute their sole source of income, and the arbitrary action of the respondent has caused grave prejudice. It is also urged that the

outstanding amounts claimed by the respondent are inflated and disputed, and such financial disputes cannot justify resort to illegal means of recovery. The petitioners submit that even assuming default, the respondent is bound to follow due process of law, and cannot take law into its own hands.

7. Learned counsel for the respondents submitted that the writ petitions are not maintainable as the dispute arises out of a purely commercial contract between private parties, and the petitioners have an efficacious alternative remedy available under law. It is contended that the jurisdiction under Article 226 of the Constitution of India ought not to be invoked in such matters, particularly where disputed questions of fact are involved.

8. It is further submitted that the petitioners have admittedly defaulted in repayment of loan installments, and as per the terms of the loan-cum-hypothecation agreement, the respondent is entitled to repossess the vehicle in case of default. It is argued that the petitioners, having voluntarily entered into the agreement, are bound by its terms and cannot now challenge the contractual rights of the respondent.

9. Learned counsel for the respondents also contended that no illegal or forcible repossession has been carried out, and the allegations made by the petitioners are false and exaggerated. It is submitted that the actions of the respondent are strictly in accordance with law and the terms of the agreement, and the present writ petitions have been filed with the sole intention of delaying recovery proceedings. It is submitted that in view of the availability of alternative remedies and the contractual nature of the dispute, this Court ought not to entertain the writ petitions

and the same are liable to be dismissed at the threshold.

10. Having considered the submissions advanced by learned counsel for the parties and upon perusal of the material brought on record, this Court finds that the central issue arising for determination is not merely the existence of a contractual relationship between the parties or the quantum of outstanding dues, but the legality, fairness, and procedural propriety of the manner in which the respondent–financial institution has proceeded to repossess or attempt to repossess the vehicles of the petitioners. At the outset, the objection regarding maintainability of the writ petitions deserves to be addressed. It is well settled that disputes arising purely out of contractual obligations ordinarily do not warrant interference under Article 226 of the Constitution of India, particularly when alternative remedies are available. However, this rule is not absolute. A well-recognized exception exists where the impugned action is arbitrary, unfair, in violation of statutory or regulatory norms, or results in infringement of fundamental rights. In such circumstances, the dispute ceases to remain confined within the domain of private law and assumes a public law character warranting judicial review.

11. In the present case, the petitioners have made specific and categorical allegations of forcible repossession through recovery agents, allegedly in violation of binding guidelines issued by the Reserve Bank of India. Such allegations, if established, cannot be treated as mere breaches of contract, but would amount to arbitrary and high-handed action offending Article 14 of the Constitution of India. Further, considering that the vehicles in question constitute the primary means of livelihood of the petitioners, such action directly impinges upon their right

to livelihood under Article 21 of the Constitution of India, as well as their right to carry on trade and occupation under Article 19(1)(g) of the Constitution of India. Therefore, this Court has no hesitation in holding that the writ petitions are maintainable, and the preliminary objection raised by the respondents is liable to be rejected. It is not in dispute that respondent no.3 is a Non-Banking Financial Company operating under the regulatory control of the Reserve Bank of India. The guidelines issued by the Reserve Bank of India governing recovery practices are not mere advisory instructions, but are binding in nature and are intended to ensure that recovery of loans is carried out in a manner consistent with fairness, transparency, and respect for the dignity of borrowers.

12. The Hon'ble Supreme Court in the case of *ICICI Bank Ltd. vs. Prakash Kaur & Ors.,* reported in *(2007) 2 SCC 711* has unequivocally deprecated the practice of employing recovery agents or musclemen for forcible repossession, holding that such methods are wholly impermissible in a civilized society governed by the rule of law. The said principle has been reiterated and reinforced in the case of *Citicorp Maruti Finance Ltd. vs. S. Vijayalaxmi & Anr.,* reported in *(2012) 1 SCC 1*, wherein it has been emphasized that even in cases of admitted default, repossession must be carried out strictly in accordance with law and through legally sanctioned procedures. The pronouncements of the Hon'ble Supreme Court, therefore, leave no manner of doubt that self-help measures involving force, intimidation, or coercion are alien to the legal framework governing recovery of debts. Financial institutions, regardless of contractual stipulations, cannot assume the role of law enforcement authorities. Applying the aforesaid principles to the facts of the present case, this Court finds that the petitioners have specifically asserted

that their vehicles were intercepted on public roads and forcibly taken possession of by recovery agents, including removal of drivers. These allegations are serious in nature and have not been effectively rebutted by the respondents, who have merely offered bald and general denials without placing any cogent material on record to demonstrate that due process of law was followed.

13. Significantly, no material has been produced to indicate that any prior notice of repossession, opportunity of hearing, or recourse to lawful recovery proceedings before a competent forum was undertaken. In the absence of such procedural safeguards, the action of the respondent cannot be sustained. The existence of a repossession clause in the loan agreement does not authorize the respondent to take law into its own hands. It is trite law that contractual terms cannot override constitutional guarantees or statutory protections. Any enforcement of contractual rights must necessarily conform to the overarching requirement of legality and due process. Moreover, the dispute regarding the quantum of outstanding dues remains contested in both petitions. Such disputes, by their very nature, require adjudication by competent forums on the basis of evidence. They cannot be resolved through unilateral and coercive action by the creditor. Permitting such conduct would not only undermine the rule of law but also create a dangerous precedent enabling stronger parties to impose their will upon weaker borrowers. This Court also cannot overlook the socio-economic realities of the case. The petitioners are transporters by profession, and the vehicles in question constitute their primary source of income and sustenance. The arbitrary deprivation of such essential assets, without adherence to due process, results in serious civil consequences and a direct infringement of the right to

livelihood, which forms an integral part of Article 21 of the Constitution of India.

14. In view of the aforesaid discussion, and in light of the law laid down by the Hon'ble Supreme Court, this Court is of the considered opinion that the action of respondent no.3 in repossessing/attempting to repossess the vehicles of the petitioners through coercive means is not merely unsustainable, but is arbitrary, illegal, and violative of constitutional and regulatory safeguards.

15. Accordingly, Writ Petition (M/S) No.2032 of 2023 and Writ Petition (M/S) No.2500 of 2023 are allowed in the following terms:

(A) The action of respondent no.3 in repossessing and/or attempting to repossess the vehicles of the petitioners through coercive means, without adherence to due process of law, is hereby declared illegal, arbitrary, and violative of Articles 14, 19(1)(g), and 21 of the Constitution of India.

(B) The respondent no.3 is directed to forthwith release and restore possession of the vehicles in question to the respective petitioners, if already repossessed.

(C) The respondent no.3, its agents, and representatives are restrained from interfering with the peaceful possession and use of the vehicles by the petitioners except through due process of law.

(D) The vehicles shall be returned in roadworthy condition, subject to normal wear and tear. In the event of any damage, loss, or deterioration attributable to the respondent during the period of repossession, the petitioners shall be at liberty to seek appropriate compensation before a competent forum, and such claim

shall be considered on its own merits.

(E) It is clarified that this order shall not preclude the respondent from recovering its legitimate dues. However, any such recovery shall be undertaken strictly in accordance with law, including by initiating appropriate proceedings before competent forums, and not by resorting to self-help or coercive methods.

(F) The respondent no.3 shall ensure strict and scrupulous compliance with the guidelines issued by the Reserve Bank of India governing recovery practices. Any future deviation shall invite appropriate legal consequences.

**(Pankaj Purohit, J.)**
**02.04.2026**

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