IN THE DEBT RECOVERY APPELLATE TRIBUNAL AT CHENNAI

Dated the 20th day of July, 2026

PRESENT: HON'BLE MR. JUSTICE G. CHANDRASEKHARAN CHAIRPERSON

MA(SA)35/2026
(arising out of IA No.997/2026 in SA No.223/2026 on the file of DRT, Madurai)

Between

1. M/s DD Agency,
   represented by its Partner
   Mr. Roch John Bosco
   2-86 N, 2-86 O Alsifa Complex
   Kaliyakkavilai, Kanyakumari – 629153

2. Mrs. Jaseela R, Partner
   W/o Siras Japhar
   Khan Manzil, Near Stadium Inchivila
   Parassalla P.O., Karode
   Thiruvananthapuram – 695506

3. Mr. Roch John Bosco S, Partner
   S/o Sebastian
   2-154 Poondi Matha House, R.C. Street
   Kaliyakkavilai, Kanyakumari – 629153

4. Mrs. Maria Madhilenal, Guarantor
   W/o Sebastian
   2-154 Poondi Matha House, R.C. Street
   Kaliyakkavilai,
   Kanyakumari – 629153

.... Appellants

And

1. Canara Bank
   Represented by its Authorised Officer
   Nagercoil Meenakshipuram Branch
   Nagercoil, Kanyakumari District.

2. M/s. RND Developers Private Limited,
6-93, Kanavoor,
Udayamarthandam P.O.,
Balapallam,
Tamil Nadu – 629178.

.... Respondents

Counsel for Appellants	:	Mr. S. Kingston Jerold
Counsel for 1st Respondent	:	M/s. M. Muthukumaran
Counsel for 2nd Respondent	:	Mr. V.T. Srinivasan

ORDER

1. This appeal is filed under Section 18 of the SARFAESI Act, against the order passed in IA No.997/2026 (stay) in SA No.223/2026 by learned Presiding Officer, DRT, Madurai dated 3.3.2026.

2. Appellants filed SA No.223/2026 on the file of DRT, Madurai praying for the following reliefs:

a) To set aside/quash the sale notice dated 19.1.2026, the sale conducted on 25.2.2026 and all consequential proceedings including the sale confirmation and the sale certificate thereunder.

b) To declare the sale and consequential SARFAESI actions, if already conducted and consequential SARFAESI actions, as null and void.

c) To direct the respondent bank to consider the applicant's settlement proposal in a fair and reasonable manner.

3. The grounds raised in the SARFAESI Application are as follows:

"1.The impugned sale proceedings initiated by Canara Bank are illegal and contrary to Section 13(4) of the SARFAESI Act and Rules 8 and 9 of the Security Interest (Enforcement) Rules, 2002.

2. The Authorised Officer failed to consider that the property of Mr. Roch John Bosco is his father's self-earned property and proceeded to sell the same without affording reasonable opportunity to settle the account.

3. No clear 15 days' statutory notice was given before conducting the sale and the sale notice was not properly served on the Applicant.

4. The sale notice was not published in leading newspapers having wide circulation in the locality and was not properly affixed on the secured asset as mandated under the Rules.

5. The valuation fixed by the Bank is grossly low and does not reflect the actual market value. The description of the building in the property has not been properly mentioned.

6. The details of the auction purchaser, confirmation of sale and compliance of payment conditions under Rule 9(3) and 9(4) have not been disclosed, rendering the sale process non-transparent and illegal.

7. The entire sale proceedings are arbitrary, violative of principles of natural justice and liable to be set aside.

8. The Respondent Bank has not strictly complied with Section 13(2) of the SARFAESI Act inasmuch as proper consideration and reasoned communication under Section 13(3A) to the objections/representation of the Applicant was not made before proceeding under Section 13(4).

9. The mandatory procedure contemplated under Rule 8(1) and 8(2) regarding taking possession and delivering possession notice to the borrower and affixture of the same on the outer door or conspicuous part of the property has not been duly complied with.

10. The possession notice was not published in two leading newspapers, one in vernacular language, within the prescribed time as mandated under Rule 8(2).

11. The sale notice was not issued after obtaining a proper and independent valuation report from an approved valuer as required under Rule 8(5), and the reserve price was not fixed in a fair and reasonable manner.

12. The sale notice does not disclose full and complete details of the encumbrances known to the secured creditor as required under Rule 8(6), thereby affecting transparency of the auction process.

13. The mandatory 15 days' notice of sale to the borrower under Rule 8(6) was not properly complied with before effecting the sale.

14. The sale was not conducted strictly in accordance with Rule 9(1) and 9(2), and there is no material to show that the highest bid was properly confirmed by the secured creditor in accordance with law.

15. The provisions of Rule 9(3) and 9(4) requiring immediate deposit of 25% of the bid amount and payment of the balance within 15 days have not been transparently demonstrated or proved.

16. The Respondent Bank failed to ensure that the sale certificate, if any issued, strictly complies with Rule 9(6) and that proper registration was carried out only after full compliance of statutory requirements.

17. The impugned sale proceedings are vitiated by material irregularity and illegality in exercise of powers under Section 13(4), thereby attracting interference under Section 17 of the SARFAESI Act.

18. The Respondent Bank has failed to act in accordance with the prudential norms and fair practice guidelines issued by the Reserve Bank of India governing recovery proceedings and treatment of stressed assets. The action of proceeding with sale during pendency of settlement discussions is contrary to the spirit of RBI guidelines requiring fair, transparent and non-coercive recovery practices.

19. The Respondent Bank did not consider the Applicant's bona fide proposal for One Time Settlement in a fair and objective manner, as mandated under RBI

guidelines relating to compromise settlements and restructuring of stressed accounts, and proceeded mechanically with coercive sale action.

20. The Bank failed to follow the Fair Practices Code prescribed by the RBI, which mandates that recovery proceedings shall be conducted in a transparent manner without harassment, undue haste or procedural irregularity.

21. The valuation of the secured asset appears to be arbitrary and not in consonance with RBI instructions requiring banks to obtain proper valuation from approved valuers and ensure that the reserve price reflects realistic market value so as to protect the borrower's interest.

22. The Respondent Bank has not disclosed material particulars relating to the auction purchaser, bid amount and confirmation of sale, which is contrary to RBI's transparency and disclosure norms applicable to recovery and sale of secured assets.

23. The action of proceeding with fragmented sale of secured assets without exploring restructuring or settlement options is contrary to RBI's stressed asset resolution framework, which emphasizes resolution before enforcement.

4. When the SARFAESI application was pending, appellants filed IA No.997/2026 for staying further proceedings in the SA. It was alleged in the stay application that due to temporary financial constraints and business slowdown, the loan account became irregular and was classified as NPA. However, substantial repayments had been made and continuous efforts were undertaken by the appellants to regularize the account. After bank issued Section 13(2) Demand Notice and initiated proceedings under Section 13(4), appellants submitted representations and approached the bank with one time settlement proposal.

Negotiations for compromise were actively going on. Without considering the bona fide proposal, the respondent bank issued sale notice dated 19.1.2026 to sell the secured asset in E-Auction. The total liability was Rs.1,29,33,541.41p as on 31.12.2025 with further interest and costs. Authorised Officer failed to consider whether the property standing in the name of Mr. Roch John Bosco S is his father's self earned property and proceeded to sell the same without giving effective opportunity to redeem the mortgage. Mandatory procedure under Rule 8 and 9 of Security Interest (Enforcement) Rules, 2002 had not been strictly complied. Clear statutory notice period was not given, the sale notice was not properly served, not properly affixed on the property and not published in leading newspapers having wide circulation in the locality. The valuation fixed is grossly inadequate and does not reflect the prevailing market value. The description of the building in the property had not been properly mentioned. One of the properties measuring 2.00 cents had already been sold during the pendency of the compromise talks, without granting fair opportunity. Details of the auction purchaser, confirmation of sale and compliance with Rule 9(3) and 9(4) of SIE Rules have not been transparently disclosed. Secured assets are worth far more than the alleged outstanding dues. On these grounds, the stay application was filed.

5. Learned Presiding Officer passed the following order on 3.3.2026 in the stay application.

> "Without going into merits, considering the submissions of both sides' counsels, Ad-Interim stay is granted to the Respondent Bank not to proceed further till 05.10.2026 pursuant to the sale notice dated 19.01.2026, with respect to the petition schedule mentioned properties, if the sale is so held, subject to payment of Rs.49,00,000/- on or before 30.03.2026 and the remaining entire balance amount (i.e., Rs.80,33,541.41/-) in 6 equal installments (Last installment with subsequent interest and cost) directly to the Respondent Bank as mentioned here under:

Instalment	Date(on or before)	Amount
1st Instalment	30.3.2026	Rs.49,00,000/-
2nd Instalment	30.4.2026	Rs.13,39,000/-
3rd Instalment	30.5.2026	Rs.13,39,000/-
4th Instalment	30.6.2026	Rs.13,39,000/-
5th Instalment	30.7.2026	Rs.13,39,000/-
6th Instalment	31.8.2026	Rs.13,39,000/-
7th Instalment	1.10.2026	Rs.13,38,541.41 (+ subsequent interest And cost)

> However, in the event of failure to pay any one of the installments as ordered above, the Respondent Bank is at liberty to proceed further and the Stay shall stand vacated automatically. If the Petitioners comply with the order, the stay granted shall be made absolute, pending disposal of the SA.

> For filing Proof of Payment Memo and for filing Impleading Petition by the Applicant and for filing Vakalath, Reply Statement along with Typeset of Papers by the Defendant Bank, call on 05.10.2026."

6. Aggrieved against this order, appellants filed this appeal. This Tribunal passed an order in the waiver application No.468/2026 on 10.4.2026

directing the appellants to make a pre-deposit of 30% of Rs.1,35,10,709.53p, taking into consideration that sale was held and 3rd party interest has been created. The pre-deposit amount was deposited in two equal instalments. Thereafter, the appeal was heard on 12.5.2026. Since appeal is filed only against an interim order and the grounds raised in the SARFAESI application have to be tested by the Debt Recovery Tribunal, this Tribunal directed the Learned Presiding Officer, DRT, Madurai to dispose of the SARFAESI application as expeditiously as possible. Aggrieved against this order, appellants filed WP(MD) No.14861/2026 on the file of Madurai Bench of Hon'ble High Court of Madras. Hon'ble High Court passed the following order.

> "Challenging the order of the Debt Recovery Appellate Tribunal in dismissing the appeal filed by the petitioner, this writ petition has been filed.
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> 2. Originally, the petitioner filed S.A.No.223/2026 before the Debts Recovery Tribunal, Madurai, challenging the sale notice in respect of the immovable properties on various grounds. In the interim application in I.A.No.997/2026 in S.A.No.223/2026, the DRT granted conditional stay of further proceedings pursuant to the sale notice dated 19.01.2026 subject to payment of entire outstanding amount in instalments. Challenging the said interim order, the petitioner filed appeal before the Debt Recovery Appellate Tribunal, Chennai, in RA(SA) No.35/2026. The DRAT having found that sale is already over and third party interest is created, by order dated 10.04.2026, directed the petitioner to deposit a sum of Rs.40,53,212.85p in two equal instalments that is, on or before 24.04.2026 and 08.05.2026 respectively, and entertained the appeal. Pursuant to such direction, the petitioner also has made payments as directed by DRAT. Later, instead of deciding the appeal on merits, the DRAT by order dated 12.05.2026, has rejected the appeal stating that the sale is already over, hence, the DRT has to decide the S.A.No.223/2026.

3. We are of the view that having entertained the appeal with the direction to deposit a substantial amount, the DRAT ought to have decided the appeal on its own merits without directing the DRT to dispose of the matter. Such an order of the DRAT, in our view, is arbitrary. Hence, the order dated 12.05.2026 made in MA(SA)No.35 of 2026 on the file of the Debt Recovery Appellate Tribunal, Chennai, is set aside and the matter is remitted to DRAT to dispose of the appeal on merits within a period of one month from the date of receipt of a copy of this order.

4. With the above direction, the Writ Petition is allowed. No costs. Consequently, connected miscellaneous petitions are closed."

7. In the said background, this appeal is again taken up for disposal on merits, as directed in the aforesaid order of the Hon'ble High Court of Madras.

8. Learned Counsel for appellants submitted that appellants availed loan in the year 2019 and the loan account was classified as NPA on 2.11.2020 due to default in repaying the loan amount. Demand Notice under Section 13(2) of the SARFAESI Act was issued on 27.4.2021, followed by possession notice under Section 13(4) dated 23.8.2021. Thereafter, first respondent bank issued sale notice dated 28.9.2021 fixing the sale on 30.10.2021 and that was challenged in SA No.487/2021. When the appellants pointed out the fact that the amounts paid by the appellants had not been considered and apportioned in the amount claimed as due in the Sale Notice, the first respondent bank withdrew the said sale notice dated 28.9.2021. Thereafter, Sale Notice dated 6.4.2022 was

given and that was challenged in SA No.275/2022. First respondent bank obtained orders under Section 14 of the SARFAESI Act and that was challenged in SA No.359/2022. Both SARFAESI applications had been allowed by the learned Presiding Officer, DRT, Madurai on 20.11.2024. By the said order, learned Presiding Officer set aside the sale held on 25.4.2022 in pursuance of sale notice dated 6.4.2022 and the order passed under Section 14 of the SARFAESI Act by Ld. CJM, Nagercoil, Kanyakumari District in Crl.M.P.No.7995/2022 dated 26.8.2022. Learned Presiding Officer also issued several directions with regard to payment of sale consideration to the auction purchaser, stamp duty and registration charges. Appellants were asked to pay the stamp duty and registration to the auction purchaser and interest at 4% of sale price to the respondent bank from the date of payment of sale price till the date of refund. The respondent bank was given liberty to take fresh action for recovery of the loan after adjustment of Rs.50.00 lakhs paid by the appellants in compliance of the conditional order passed by the Hon'ble High Court and the Tribunal. On the basis of the liberty given, impugned sale notice dated 19.1.2026 was issued fixing the sale on 25.2.2026. In the sale notice, reserve price was fixed at Rs.37,25,000/- and the property was not value properly. As per the valuation report, the date of inspection was give as 28.1.2025, whereas the report was dated as

25.7.2025. Sale Notice was given on 19.1.2026, beyond the period of one year. Valuation adopted was not a fair valuation, confirming to the real value prevailing in the market. The property sought to be sold measures 2 cents, however, valuer left 0.600 cent for pathway and valued only 1.400 cents. The land is surrounded by roads and that there is no need for leaving 0.600 cent for pathway. By omitting to value the land for total extent of 2 cents, value of the property got diminished.

9. He further submitted that there is no clear 30 days notice given from the date of service of sale notice and the date of sale. Sale Notice was not served on any of the appellants. Publication was not done, as required under Security Interest (Enforcement) Rules, 2002. Secured asset is located in Kalliyakkavilal Village, Vilasvancode Taluk, Kanyakumari District, whereas publication was given in Tuticorin. This will not confirm to the publication in newspapers having wide circulation in the locality, as required under SIE Rules, 2002.

10. Conditional order passed by the learned Presiding Officer, DRT, Madurai is onerous and by the said condition, learned Presiding Officer wanted the appellants to deposit the entire sale consideration and that is not workable and practicable. At the time of filing this appeal, appellants made a pre-deposit of Rs.40,53,212.85p, for entertaining this appeal.

Now, it is informed that sale certificate is also issued, therefore, appellants are taking steps to challenge the sale certificate issued by filing an amended application. On these grounds, learned counsel for the appellants prayed to set aside the order passed by the DRT in IA 997/2026 (stay)in SA No.223/2026.

11. In response, learned counsel for the first respondent bank submitted that the valuation report was done on the basis of the Government guideline value, therefore, there is nothing to challenge the valuation adopted by the bank. Three bidders participated in the sale and the property was sold to 2nd respondent for a sum of Rs.48,15,000/- Sale Notice was served on the appellants 2 to 4 and in proof of service, acknowledgment cards are produced. Sale Notice taken to the first appellant was returned with postal endorsement 'left'. Sale Notice was affixed on the secured asset and published in two leading newspapers, one in English and in vernacular language i.e., in 'The Hindu' newspaper, both English and Tamil Edition, published from Thirunelveli district. Thus, Sale Notice was properly served, affixed on the secured asst and published as required under SIE Rules, 2002.

11.1 Learned Presiding Officer passed a conditional order directing the appellants to pay the entire sale consideration in seven instalments, of which, first instalment of Rs.49,00,000/- was to be paid on or before 30.3.2026 and the balance amount was to be paid in six instalments, of which 2nd to 6th instalments at Rs.13,39,000/- and the last instalment of Rs.13,38,541.41p to be paid on or before 1.10.2026. Appellants were granted nearly six months spill over time from 30.3.2026 to 1.10.2026 for making payments. However, appellants had not paid even a single instalment.

11.2 Order was very specific that if the appellants made payments as ordered, interim stay order granted would be made absolute and on failing to comply with any of the instalments, respondent bank was given liberty to proceed further and the stay granted shall stand vacated.

11.3 Since even the first instalment was not paid, sale was confirmed on 4.4.2026 and sale certificate was issued. Whatever amount paid by the appellants was apportioned towards the loan due.

12. In addition to the above submission, learned counsel for the first respondent bank submitted that appellants were in possession of the secured asset at the time of valuation. However, without the consent and knowledge of the first respondent bank, secured asset was leased out to a third party and property was possessed by a third party. Thus,

learned counsel for the first respondent bank prayed for dismissal of the appeal.

13. Learned Counsel for the second respondent, who is the auction purchaser in this case, adopted the submissions of the first respondent bank and added that he paid the entire sale consideration, as per the timeline set out by the bank and that sale certificate has been issued in his favour and is also registered.

14. I have considered the rival submissions and perused the records.

15. Section 17 of the SARFAESI Act, deals with the application against measures to recovery secured debts. As per Section 17(1), any person (including borrower), aggrieved by any of the measures referred to sub-section (4) of Section 13 taken by the secured creditor or his authorized officer under the Chapter may make an application along with such fee, as may be prescribed, to the Debts Recovery Tribunal having jurisdiction in the matter within 45 days from the date on which such measure had been taken.

16. Section 18 of the SARFAESI Act deals with the appeal to Appellate Tribunal. As per Section 18(1), any person aggrieved, by any order made by the Debts Recovery Tribunal under Section 17 may prefer an

appeal along with such fee as may be prescribed to the Appellate Tribunal within 30 days from the date of receipt of the order of Debts Recovery Tribunal.

Provided…..

Provided further that no appeal shall be entertained unless the borrower has deposited with the Appellate Tribunal fifty per cent of the amount of debt due from him as claimed by the secured creditors or determined by the Debts Recovery Tribunal, whichever is less.

Provided also that the Appellate Tribunal may, for the reasons to be recorded in writing, reduce the amount to not less than twenty-five per cent of debt referred to in the second proviso.

16.1 The arrangement of these sections shows that if any person including the borrower is aggrieved by any of the measures taken under Sub-section (4) of Section 13, he /she has to first approach the Debts Recovery Tribunal under Section 17(1) for appropriate relief as detailed under Section 17(3) of the SARFAESI Act. The appellants in this case have precisely done that, by following the procedure under the SARFAESI Act and the Rules made thereunder for the relief to set aside/quash the sale notice dated 19.1.2026, sale conducted on 25.2.2026 and the consequential proceedings including sale confirmation and sale certificate and for other reliefs by raising several grounds. These grounds have already been extracted supra.

16.2 Today also, learned counsel for the appellants expounded the grounds raised in the SARFAESI application by making oral submissions supporting the grounds taken. On being dis-satisfied and aggrieved by the interim order passed in IA 997/2026 (stay) in SA 223/2026, appellants filed this appeal under Section 18(1) of the SARFAES Act.

17. When this Tribunal entertained this appeal, it directed the appellants to make a pre-deposit of 30% of Rs.1,35,10,709.53p which came to Rs.40,53,212.85p for entertaining the appeal under Section 18(1) of the SARFAESI Act. Pre-deposit is neither a secured debt nor security interest is created on this amount. Once appeal is disposed, this amount, along with accrued interest if any, to be refunded to the appellants.

18. Coming to the disposal of this Appeal on merits, since this Tribunal is an Appellate Tribunal, it is not appropriate for it to consider the grounds on merits of the SARFAESI Application in detail, give findings this way or that way. That would prejudice both the parties, when the matter has to be decided by the Debts Recovery Tribunal in the SARFAESI Application. Therefore, this Tribunal cautiously refrained from giving any finding on

the merits of the SARFAESI application. The grounds raised in the SARAESI Application have to be addressed and contested before the DRT by the parties, by producing all necessary documents/evidence, most importantly, the respondent bank has to justify that the sale measures had been taken on compliance of the mandatory requirement under Section 13(4) read with Rules under SIE Rules, 2002.

19. It is a settled proposition of law of the Hon'ble Supreme Court of India, in re, **Celir LLP Vs. Bafna Motors(Mumbai) Pvt. Ltd. and others in Civil Appeal Nos.5542-5543/2023**, that once sale notice is published, borrowers/guarantors lose their right of redemption. For better understanding relevant portion of the decision is extracted hereunder.

> "68. However, with the advent of the 2016 Amendment, Section 13(8) of the SARFAESI Act now uses the expression "before the date of publication notice for public auction or inviting quotations or tender from public or private treaty for transfer by way of lease, assignment or sale of the secured assets" which by no stretch of imagination could be said to be in consonance with the general rule under the Act 1882 that the right of redemption is extinguished only after conveyance by registered deed. Thus, in the light of clear inconsistency between Section 13(8) of the SARFAESI Act and Section 60 of the Act 1882 the former special enactment overrides the latter general enactment in light of Section 35 of the SARFAESI Act. Thus, the right of redemption of mortgage is available to the borrower under the SARFAESI Act only till the publication of auction notice and not thereafter, in light of the amended Section 13(8)."

20. On the other hand, if the borrowers/guarantors tendered the secured creditor the amount of dues of the secured creditor together with all costs, charges and expenses incurred at any time before the date of publication of notice for public auction or inviting quotations or tender from public or private treaty for transfer by way of lease, assignment or sale of the secured assets,-

(i) the secured assets shall not be transferred by way of lease assignment or sale by the secured creditor; and

(ii) in case, any step has been taken by the secured creditor for transfer by way of lease or assignment or sale of the assets before tendering of such amount under this subsection, no further step shall be taken by such secured creditor for transfer by way of lease or assignment or sale of such secured assets.

21. In the case before hand, admittedly the sale notice was published in two leading newspapers having wide circulation in the locality, viz., 'The Hindu' newspaper, English and Tamil Edition from Thirunelveli district, apart from service of sale notice through post and affixture. Appellants had not chosen to pay the amount due with costs and charges and other expenses prior to publication of sale notice. Therefore, the right of redemption is lost once the sale notice was published. In such circumstances, the order of the learned Presiding Officer directing the

appellants to pay the entire sale consideration in seven instalments with Rs.49.00 lakhs towards the first instalment for granting interim stay against the bank and directing the bank not to proceed further is wholly unwarranted.

22. When the said application was heard on 3.3.2026, sale was already over on 25.2.2026. It was informed by learned counsel for the first respondent bank that sale was over. Then, the learned Presiding Officer directed payment of amount just above the sale consideration in seven instalments. It is an admitted position that none of the instalments was paid by the appellants. It is now informed that auction purchaser/second respondent paid the entire sale consideration, as per the timeline and sale certificate was issued and registered. In such circumstances, this Tribunal finds that the conditional order passed by the learned Presiding Officer for staying further proceedings and directing the appellants to pay the entire sale consideration in seven instalments is not appropriate. In this view of the matter, the conditional interim order dated 3.3.2026 passed by the Learned presiding Officer DRT, Madurai in IA No.997/2026 (stay) in SA 223/2026 is set aside.

23.Now that every process has got over, so far the measures taken for sale is concerned, i.e., sale of the property, issuance of sale certificate and its registration. There is no measure that is pending so far sale is concerned, which requires an order of stay by this Tribunal. The only thing that has to be decided by the Learned Presiding Officer, as a first adjudicatory authority is, whether the grounds raised by the appellants in the SARFAESI Application are true and whether the respondent bank had sold the property, complying with the mandatory provisions of the SARFAESI Act and the rules made thereunder.

24.Therefore, there is no merit involved in this case for granting a stay order. Accordingly, IA No.997/2026 (stay) in SA No.223/2026 and this Appeal, MA(SA) 35/2026 are dismissed.

25.Parties are directed to bear their own costs.

26.Pending IAs, if any, stand closed.

[Dictated to PS (SN) transcribed by him, corrected, signed and pronounced by me in open court, this 20th July, 2026)

Sd/-
(JUSTICE G. CHANDRASEKHARAN)
CHAIRPERSON