


**Case Citation: (2026) ibclaw.in 528 DRT**

**30.06.2026**

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Securitisation Application No.568 of 2023 is allowed vide separate order.

  
Presiding Officer

IN THE DEBTS RECOVERY TRIBUNAL - 1, KARNATAKA  
AT BENGALURU

PRESENT: SRI IMTIAZ ALI  
PRESIDING OFFICER

Dated the 30<sup>th</sup> day of June, 2026

**SECURITISATION APPLICATION NO.568 OF 2023**

Between

Arun Kumar K S,  
S/o K T Srinivasa Gowda,  
Aged 54 years,  
Residing at No.921, 22<sup>nd</sup> Main,  
38<sup>th</sup> Cross, 4<sup>th</sup> T Block, Jayanagar,  
Bangalore-560041.

...Applicant

And

1. The Authorised Officer,  
Punjab and Sind Bank,  
Attibele Branch,  
No.770/18, Anekal,  
Attibele Main Branch,  
Attibele, Bengaluru-562107.
2. B Sreenivasan,  
S/o Byrappa,  
Residing at No.340, Hig Type 'A',  
Surya Nagar,  
Karnataka Housing Board Composit Home,  
Bangalore-81.
3. Ashok Kumar K S,  
S/o late K T Srinivasa Gowda,  
Aged about 60 years,  
Residing at No.921, 22<sup>nd</sup> Main 38<sup>th</sup> Cross,  
4<sup>th</sup> Block, Jayanagar,  
Bangalore-560041.
4. Asha K S,  
D/o late K T Srinivasa Gowda,  
Aged about 51 years,  
Residing at No.10, 80 feet J P Road,  
Girinagar 2<sup>nd</sup> Phase,  
Banashankari 3<sup>rd</sup> Stage,  
Bangalore-560085.

..... Defendants

*(Defendant No.3 and 4 impleaded as per the order dated 11.12.2023 in IA No.373/2024)*

This Securitisation Application having been heard on 01.06.2026 in the presence of Advocates M/s M Mohamed Ibrahim and Ehtesham Ibrahim for the applicant, and Advocates M/s Rakesh B Bhatt, Yashwant B Poojar, Aditya S N and Dinesh Nittuvali for the 1<sup>st</sup> defendant, and Advocates M/s Vignesh Shetty and Natasha N Murthy for the 2<sup>nd</sup> defendant, Advocates M/s A M Chandra Kumar and Ajjappa S D for the 3<sup>rd</sup> and 4<sup>th</sup> defendants, and stood over to this day for consideration, the Tribunal delivered the following: -

### **FINAL ORDER**

The applicant filed the above Securitisation Application (SA) on 20.11.2023 under S.17(1) of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 as amended from time to time – hereinafter referred to as ‘the Act’ – praying to set aside the sale notice dated 24.01.2023 issued under Rule 8(6) of the Security Interest (Enforcement) Rule, 2002 by the 1<sup>st</sup> defendant proposing the sale of the schedule immovable property on 03.03.2023 as against the reserve price of ₹112.20 lakhs. The applicant is none other than the borrower of a financial assistance availed in the year 2017 in the form of overdraft loan facility by mortgaging schedule immovable property by way of equitable mortgage in favour of the 1<sup>st</sup> defendant bank.

2. The case set out by the applicant in the SA in brief is as follows: - The applicant is a Class-I contractor involved in construction work. The applicant submits that the 1<sup>st</sup> defendant bank has sanctioned an overdraft loan facility for a sum of ₹67,20,000/- in the year 2017 after mortgaging the schedule immovable property by way of equitable mortgage in favour of the 1<sup>st</sup> defendant bank. The applicant further states that the applicant defaulted in payment of the loan due to covid pandemic and 1<sup>st</sup> defendant bank declared the loan account as NPA on 31.03.2021. Further the 1<sup>st</sup> defendant issued a

demand notice dated 05.04.2021 under S.13(2) of the Act. The applicant further states that he issued a reply under Section 13(3) to the said notice and requested time for payment of the same. The 1<sup>st</sup> defendant issued possession notice on 13.07.2021 and without waiting for the statutory period the 1<sup>st</sup> defendant bank issued sale notice fixing the auction on 28.09.2021. The description of the schedule property in the notice is varied and different from the original title deeds deposited in the bank. Thereafter, the defendant bank issued auction notice dated 23.11.2021 fixing the auction on 08.12.2021 and the said action was challenged by the applicant in WP No.24294 of 2021. Even though the case is pending the defendant bank approached the CJM Bengaluru Rural District by filing a petition under Section 14. Being aggrieved by the continued coercive including the sale notice dated 24.01.2023 issued by the bank, the applicant filed W P NO.19958 of 2022 before the Hon'ble High Court of Karnataka, Bengaluru. The 2<sup>nd</sup> defendant had participated in the auction held on 03.03.2023 and the 2<sup>nd</sup> defendant had remitted 25% of the bid amount. The 1<sup>st</sup> defendant bank has not created any security interest as per the S.26 D of the Act. The demand notice is not served or affixed. The bank had also not published the impugned sale notice in two leading newspapers. Also the fixation of reserve price below the market value is arbitrary and illegal. Further the bank had not made the affixure of sale notice in schedule property. The defendant bank has not given clear 30 days' sale notice to the applicant. The defendant bank has not fixed the reserve price taking the valuation from the approved valuer. Hence, this application.

3. The 1<sup>st</sup> defendant bank filed objection refuting the prayer and contending as follows: - As per the request of the applicant, the 1<sup>st</sup> defendant bank sanctioned the loan after executing various loan documents in favour of the bank. In view of the default committed by the applicant in repayment of the loan, the 1<sup>st</sup> defendant bank has classified the loan account as NPA on 31.03.2021. Thereafter the 1<sup>st</sup> defendant bank has issued the

demand notice dated 05.04.2021 under S.13(2) of the Act. In spite of the demand notice, the applicant has failed to make the payment within the statutory period, the 1<sup>st</sup> defendant bank had taken the symbolic possession of the mortgaged schedule property vide possession notice dated 13.07.2021. The applicant filed above application challenging the sale notice dated 24.01.2023 and consequent sale of the schedule property on 03.03.2023 taken by the 1<sup>st</sup> defendant. The auction sale is challenged on 20.11.2023. There is delay of more than 200 days in filing the application. Since the applicant defaulted in repaying the loan amount and did not even comply the orders passed by this Tribunal, the defendant bank has taken the physical possession of the schedule property which is the secured asset of the loan defaulter. The defendant bank issued sale notice on 24.01.2023 and sent to the applicant. The defendant bank published the auction notice in newspaper. The defendant bank got valued the property from the registered valuer. Hence, the applicant is not at all entitled to any of the relief sought in the petition and liable to be rejected.

4. The 2<sup>nd</sup> defendant bank filed objection refuting the prayer and contending as follows: - Upon compliance of the SARFAESI Act and Rules, the 1<sup>st</sup> defendant proceeded to sell the secured mortgaged properties by e-auction on 03.03.2023. The 1<sup>st</sup> defendant conducted auction on 03.03.2023 for reserve price of ₹1.55 crores and the schedule property was sold to the 2<sup>nd</sup> defendant. Since the 2<sup>nd</sup> defendant had deposited the entire sale consideration, the sale certificate has been issued by the 1<sup>st</sup> defendant in favour of the 2<sup>nd</sup> defendant on 22.11.2023. The 2<sup>nd</sup> defendant is a bonafide purchaser for consideration and the malafide intention of the applicant to cause unnecessary hardship and deferment in the process of recovery which in turn causing grave prejudice to the 2<sup>nd</sup> defendant. Also this application is barred by limitation. Hence, the 2<sup>nd</sup> defendant prayed to dismiss the application with costs.

5. The 3<sup>rd</sup> and 4<sup>th</sup> defendant entered appearance through counsel and filed vakalath but no objections filed by them. Also the applicant not seek any relief against them. Hence, the case against 3<sup>rd</sup> and 4<sup>th</sup> defendant is dismissed.

6. The applicant produced ten documents along with the SA, which are for convenience referred to as Annexures A1 and A10. Further the applicant produced four more documents, which are for convenience referred to as Annexures A11 to A14. The 1<sup>st</sup> defendant along with its statement objection produced eleven documents in support of its contentions and the same are referred to as Annexures B1 to B11. The 2<sup>nd</sup> defendant along with its statement objection produced six documents in support of its contentions and the same are referred to as Annexures B1 to B6.

7. The only issue arises for consideration is as to whether the applicant is entitled to the relief prayed for?

8. The present Securitisation Application has been filed challenging the sale notice dated 24.01.2023 and the consequential measures taken by the defendant bank under the provisions of the SARFAESI Act.

9. At the outset, the defendant bank has raised a preliminary objection regarding maintainability of the Securitisation Application on the ground of limitation, contending that the application has been filed with a delay of about 200 days. The applicant submits that he had approached the Hon'ble High Court of Karnataka, Bengaluru challenging the impugned sale notice and seeking interim protection. The writ petition No.19958 of 2022 was disposed of by order dated 06.11.2023 granting liberty to the applicant to approach the Tribunal and observing that the Tribunal shall consider the matter on merits. It is further stated that a copy of the said order became available to the applicant on 09.11.2023 and the present SA was filed on 20.11.2023.

10. The records reveal that the applicant was bonafide prosecuting his remedy before the Hon'ble High Court in respect of the same cause of action. Immediately after disposal of the writ petition and receipt of the order, the applicant approached the Tribunal without undue delay. In view of the liberty granted by the Hon'ble High Court and the explanation offered by the applicant, the objection regarding limitation cannot be sustained. Accordingly, the delay, if any, stands satisfactorily explained and the Securitisation Application is held to be maintainable.

11. On merits, the applicant has challenged the validity of the sale proceedings on several grounds. A perusal of the records reveal that the defendant bank has failed to produce the mortgage deed, memorandum recording deposit of title deeds, or any other primary document evidencing creation of an equitable mortgage over the secured asset. In the absence of such foundational documents, this Tribunal is enable to verify the creation and subsistence of the security interest claimed by the defendant bank.

12. The defendant bank has further relied upon a CERSAI report indicating that the security interest was created/submitted by the maker on 14.07.2017. However, the very report relied upon by the defendant bank records that the security interest was "yet to be approved". No certificate of registration, acknowledgement bearing a registration number or any other material evidencing successful registration of the security interest with CERSAI has been produced before the Tribunal. Mere submission of particulars by the maker cannot be equated with completion of registration. Despite specific challenge by the applicant, the defendant bank has failed to place satisfactory evidence demonstrating completed registration of the security interest with CERSAI.

13. The sale notice dated 24.01.2023 further stipulates that 25% of the bid amount, including 10% EMD and the balance 15% shall be paid within 48 hours from the date of confirmation of sale. The sale notice and the auction process are required to

strictly confirm to the statutory framework governing sale of secured assets. Any material deviation from the prescribed procedure affects the legality of the sale process.

14. The records further reveal that although the auction sale was conducted and confirmed, the balance 75% of the sale consideration was not deposited within the prescribed period. The defendant bank accepted the balance sale consideration nearly 10 months after the date of sale. The defendant bank has sought to justify the same on the basis of the order of the Hon'ble High Court permitting the bank to conduct the sale and confirm the same while restraining issuance of sale certificate. However, the said order dated 02.03.2023 passed in W. P. No.19958/2022 merely permitted continuation of the sale process and deferred issuance of sale certificate. The order did not dispense with the statutory requirement relating to payment of the balance sale consideration within the prescribed period nor did it authorize extension of time to the auction purchaser for remittance of the balance amount. Acceptance of balance 75% sale consideration after a lapse of nearly ten months constitutes a material irregularity affecting the validity of the auction sale.

15. Thus, the defendant bank has failed to produce the foundational documents evidencing creation of mortgage, failed to establish completed registration of the security interest with CERSAI, and has conducted the sale process in a manner contrary to the statutory requirements governing auction sales. The cumulative effect of these irregularities goes to the root of the matter and vitiates the impugned measures.

16. Accordingly, the Securitisation Application No.568 of 2023 deserves to be allowed. The sale notice dated 24.01.2023, the auction sale conducted pursuant thereto, the confirmation of sale and all consequential proceedings are hereby set aside. However, the order shall not preclude the defendant bank from initiating fresh proceedings in accordance with law and after complying with all statutory requirements.

17. So far as the auction purchaser(s) is concerned, it is not in dispute that sale certificate has been issued in his favour. The auction purchaser participated in the auction conducted by the defendant bank and deposited the sale consideration pursuant thereto. Since the very sale notice and consequential auction proceedings have been found to be vitiated by material irregularities and statutory non-compliance, no right, title or interest can be said to have crystallised in favour of the auction purchaser(s). However, the auction purchaser(s) cannot be made to suffer for the lapses attributable to the defendant bank. Consequently, the defendant bank shall refund the entire amount received from the auction purchaser(s) together with interest in accordance with law. Therefore, the sale certificate dated 22.11.2023 issued in favour of the auction purchaser(s) is hereby set aside. The defendant bank is directed to refund the entire sale consideration received from the auction purchaser(s) together with interest at the rate of 6% per annum from the respective dates of deposit till payment, within 30 days from the date of receipt of this order. Upon such refund, the auction purchaser(s) shall have no right, title or interest in respect of the secured asset.

18. The Securitisation Application No.568/2023 is allowed. No order as to costs.

19. The Registry is directed to forward a copy of this final order to the concerned SRO/VO/BBMP for recording necessary entry in the appropriate Registers.

20. The schedule to the SA shall be appended to this final order.

21. Communicate copy of this final order to both parties as provided in sub-section (7) of S.17 of the Act r/w R.16 of the Debs Recovery Tribunal (Procedure) Rules, 1993 (as amended from time to time).

*[Dictated to my PA directly on the computer, corrected and pronounced by me in the open Tribunal on this the 30<sup>th</sup> day of June, 2026]*

  
[ IMTIAZ ALI ]  
PRESIDING OFFICER

**APPENDIX****Applicant's Exhibits**

Annexure A1	24.01.2023	Photocopy of the sale notice
Annexure A2	14.06.2017	Photocopy of the loan sanction letter
Annexure A3	05.04.2021	Photocopy of the demand notice
Annexure A4	13.07.2021	Photocopy of the possession notice
Annexure A5	22.09.2021	Photocopy of the order passed by the Hon'ble DRT 1, Bengaluru in S A (Diary) No. 1260 of 2021
Annexure A6	13.10.2021	Photocopy of the payment receipts
Annexure A7	29.12.2021	Photocopy of the order in WP No.24294 of 2021 of the Hon'ble High Court of Karnataka
Annexure A8	29.12.2021	Photocopy of the letter with payment receipts
Annexure A9	01.06.2022	Photocopy of the Section 14 order
Annexure A10	06.11.2023	Photocopy of the order in WP No.19958 of 2022
Annexure A11		Payment receipt for Rs.51,25,000/-
Annexure A12		Account statement
Annexure A13	20.11.2023	Photocopy of the sale confirmation letter
Annexure A14	22.11.2023	Photocopy of the sale certificate

**1<sup>st</sup> Defendant's Exhibits**

Annexure B1	24.01.2023	Photocopy of the sale notice
Annexure B2	02.02.2023	Photocopy of the track consigning showing notice delivered
Annexure B3		Photocopy of the paper publication extract
Annexure B4	20.01.2023	Photocopy of the valuation report
Annexure B5		Photocopy of the order sheet
Annexure B6	06.11.2023	Photocopy of the order sheet
Annexure B7	22.11.2023	Photocopy of the office note
Annexure B8		Photocopy of the order in W P.No.1893/2024
Annexure B9	01.08.2022	Photocopy of the order
Annexure B10		Photocopy of the CERSAI report
Annexure B11		Photocopy of the statement of account

**2<sup>nd</sup> Defendant's Exhibits**

Annexure B1	02.03.2023	Photocopy of the order passed by the Hon'ble High Court of Karnataka in WP No.19958 of 2022
Annexure B2	03.03.2023	Photocopy of the email sent by the defendant No.1 to the defendant No.2
Annexure B3	06.03.2023	Photocopy of the email sent by the defendant No.1 to the defendant No.2
Annexure B4		Photocopy of the orders in WP No.19958/2022
Annexure B5	22.11.2023	Photocopy of the sale certificate
Annexure B6	27.02.2024	Photocopy of the order in WP No.1893/2024

30.06.26

**PRESIDING OFFICER**

**SCHEDULE PROPERTY****(As per Possession Notice)**

All that piece and parcel of Residential House No.388, MIG II, Type -A, 6<sup>th</sup> Cross, on site measuring 243 Sq. Mtrs., Bangalore District-560099 Karnataka, Consisting of Two Bed Rooms, one living cum dining hall with open front space, one kitchen, one bath room and one Toilet, build up area including stair area measuring 243 Sq. Meters and undivided share of the land of the first schedule 0.773 Sq.Meters of the built-up area including use of common areas situated in MG II Type-A, 6<sup>th</sup> B cross, Suryanagar, Chandapura, <sup>SURYA CITY PHASE-I, IGGALUR, ANEKAL TB</sup> Bangalore-560099., in the name of Mr. K.T. Srinivas Gowda S/o. Late Kadhilal Thimmaiah Gowda and property bounded on:

- East by : Road;
- West by : House No.405 MIG II Type D.
- North by : House No.389 MIG-II Type A
- South by : House No.387 MIG Type-A

30.06.26

PRESIDING OFFICER

IN THE DEBTS RECOVERY TRIBUNAL - 1,  
KARNATAKA AT BANGALORE

PRESENT: SRI IMTIAZ ALI  
PRESIDING OFFICER

Dated the 30<sup>th</sup> day of June, 2026

**SECURITISATION APPLICATION NO.568 OF 2023**

Between

Arun Kumar K S,  
S/o K T Srinivasa Gowda,  
Aged 54 years,  
Residing at No.921, 22<sup>nd</sup> Main,  
38<sup>th</sup> Cross, 4<sup>th</sup> T Block, Jayanagar,  
Bangalore-560041.

.....Applicant

And

The Authorised Officer,  
Punjab and Sind Bank,  
Attibele Branch,  
No.770/18, Anekal,  
Attibele Main Branch,  
Attibele, Bengaluru-562107  
And three others.

..... Defendants

**FINAL ORDER**

30.06.26