



IN THE HIGH COURT OF KARNATAKA AT BENGALURU

DATED THIS THE 16TH DAY OF APRIL, 2026

BEFORE

THE HON'BLE MR. JUSTICE SACHIN SHANKAR MAGADUM

WRIT PETITION NO. 36245 OF 2025 (GM-RES)

BETWEEN:

1. SRI. MADAN KUMAR .S.M
S/O. MANJEGOWDA
AGED ABOUT 37 YEARS
RESIDING AT SIDDANAKODIGE
ARALIKOPPA, GUBBIGA (SUTTA)
CHICKAMAGALUR - 577 134.

...PETITIONER

(BY SRI. VARUN JOSHI, ADVOCATE)

AND:

1. THE KARNATAKA BANK LIMITED
A PUBLIC LIMITED COMPANY
INCORPORATED UNDER THE PROVISIONS OF
COMPANIES ACT, 1956,
HAVING REGISTERED OFFICE AT
P. O. BOX NO.599, MAHAVEERA CIRCLE
KANKANADY, MANGALURU - 575002
REPRESENTED BY ITS MANAGING DIRECTOR.

ALSO HAVING BRANCH OFFICE AT
GROUND FLOOR, NO. 993
T. M. ROAD, NEAR BASTI MUTT
NARASIMHARAJAPURA
CHICKAMAGALUR - 577 134.

2. CSB BANK LIMITED
A PUBLIC LIMITED COMPANY
INCORPORATED UNDER THE PROVISIONS OF





COMPANIES ACT, 1956
HAVING OFFICE AT, SIROYA CENTER
1ST FLOOR, SAHAR AIRPORT ROAD
ANDHERI EAST, MUMBAI 400 099
STATE OF MAHARASHTRA.

3. STATE OF KARNATAKA
REP. BY CHIEF SECRETARY
VIDHAN SOUDHA
AMBEDKAR VEEDHI
BENGALURU-560 001.
4. RESERVE BANK OF INDIA
A STATUTORY BODY
ESTABLISHED UNDER THE
RESERVE BANK OF INDIA, ACT, 1934
HAVING ITS REGIONAL OFFICE AT
NRUPATUNGA ROAD
BENGALURU-560 001.
REP. BY ITS REGIONAL MANAGER

[CAUSE TITLE AMENDED AS PER COURT ORDER]

...RESPONDENTS

(BY SMT. DIVYA PURANDAR, ADVOCATE FOR R1;
MISS. SONA RAJKUMAR, ADVOCATE FOR
SRI. JOSEPH ANILKUMAR .A, ADVOCATE FOR R2;
SMT. NAVYA SHEKAR, AGA FOR R3;
SRI. PRADEEP SAWKAR, ADVOCATE FOR R4)

THIS WP IS FILED UNDER ARTICLES 226 AND 227 OF
THE CONSTITUTION OF INDIA, PRAYING TO QUASH THE
ACTION OF R1 IN FREEZING THE SAVINGS ACCOUNT OF THE
PETITIONER BEARING ACCOUNT NO. 5832500100615101 AT
NARASIMHARAJAPURA BRANCH.

THIS PETITION, COMING ON FOR PRELIMINARY
HEARING, THIS DAY, ORDER WAS MADE THEREIN AS UNDER:

CORAM: HON'BLE MR. JUSTICE SACHIN SHANKAR MAGADUM



ORAL ORDER

In the captioned petition, petitioner is questioning the action of respondent No.1/Bank in freezing the petitioner's saving account bearing A/c No.5832500100615101.

2. The factual matrix leading to the present petition, in brief, is that respondent No.2, invoking an alleged arbitration clause embedded in the loan transaction, proceeded to initiate online arbitral proceedings, which came to be registered as Arbitration Case ID No.A088277, without securing the consent or participation of the petitioner. It is the specific case of the petitioner that the very initiation of arbitral process is unilateral, lacking in foundational compliance with the mandate of law governing constitution of an Arbitral Tribunal. The learned Sole Arbitrator, upon entering reference, proceeded to pass an interim order directing the petitioner to furnish security to the tune of Rs.7,12,139/-,



and in default thereof, permitted coercive action by directing the respondent-bank to freeze the petitioner's account. The proceedings culminated in a final arbitral award of even date, fastening liability on the petitioner to pay the aforesaid sum.

3. The gist of the petitioner's grievance is that the entire arbitral process was conducted behind her back, without affording any real or effective opportunity of participation, and more importantly, without a valid constitution of the Arbitral Tribunal in the eye of law. It is contended that the petitioner was merely intimated by way of an email enclosing the interim order and a consequential request addressed to the bank for debit freezing of her account, thereby subjecting her to drastic civil consequences without adherence to due process.

4. Heard the learned counsel appearing for the petitioner, the learned counsel appearing for respondent No.1-Bank and the learned counsel representing



respondent No.2. Perused the material on record. The short, yet substantial question that arises for consideration is: whether respondent No.2 could have unilaterally appointed a Sole Arbitrator and set the arbitral machinery in motion, in the absence of concurrence or participation of the petitioner, and whether such proceedings can be sustained in law?

5. Before adverting to the factual controversy, it would be apposite to delineate the legal framework governing appointment of arbitrators under the Arbitration and Conciliation Act, 1996. Arbitration, being a creature of contract, is premised on party autonomy; however, such autonomy is circumscribed by the principles of fairness, neutrality and independence of the adjudicatory process. Section 11 of the Act, read in conjunction with Section 21, contemplates that upon the arising of disputes, parties must either mutually agree on the appointment of an arbitrator in terms of the arbitration agreement, or follow the agreed procedure prescribed therein. In the absence of



consensus, recourse must be had to the statutory mechanism under Section 11, whereby the Court assumes the role of appointing an independent and impartial arbitrator.

6. It is now trite that a unilateral appointment of an arbitrator by one of the parties, particularly when such party has an interest in the outcome of the dispute, strikes at the very root of arbitral neutrality and is antithetical to the doctrine of equal treatment embodied under Section 18 of the Act. The procedure adopted must not only be in consonance with the agreement but must also pass the test of fairness, impartiality and transparency. Any deviation therefrom renders the very constitution of the Arbitral Tribunal vulnerable to challenge on jurisdictional grounds.

7. This precise issue is no longer res integra. A Coordinate Bench of this Court in ***Manjula and Another***



vs. *Shriram Transport Finance Co. Ltd.*¹ while examining an identical question, has categorically held that unilateral appointment of an arbitrator, without the consent of the opposite party, is impermissible in law. The Coordinate Bench, after framing specific points for consideration, has unequivocally ruled that such an arbitrator lacks inherent jurisdiction to enter upon reference and adjudicate the dispute. Consequently, any award passed pursuant to such defective constitution is rendered unsustainable and liable to be set aside as being without jurisdiction. The ratio laid down therein squarely applies to the case on hand.

8. In the present case, it is evident that respondent No.2 has unilaterally appointed the Sole Arbitrator and proceeded with the arbitral process without securing the petitioner's concurrence or resorting to the statutory mechanism contemplated under Section 11 of the Act. The very commencement of arbitral proceedings,

¹ 2025 SCC Online 1646



therefore, stands vitiated. When the foundation itself is void, all consequential actions, including the interim order directing furnishing of security and the final award, are rendered non est in the eye of law.

9. The action of respondent No.1–Bank in debit freezing the petitioner’s account, solely on the strength of an interim order passed by an arbitrator whose appointment itself is legally untenable, cannot be countenanced. Such an action has the effect of enforcing an order which is ex facie without jurisdiction, thereby causing grave prejudice to the petitioner. The bank, though acting on the communication issued, cannot lend its imprimatur to an order which is fundamentally flawed and unenforceable.

10. The contention of respondent No.2 that the petitioner ought to have challenged the arbitral award under Section 34 of the Act and that the writ petition is not maintainable cannot be accepted in the peculiar facts



of the present case. When the very constitution of the Arbitral Tribunal is void ab initio and the proceedings are coram non iudice, the resultant award cannot be treated as a mere voidable irregularity but as one lacking inherent jurisdiction. In such circumstances, this Court, in exercise of its writ jurisdiction, is justified in stepping in to prevent perpetuation of illegality and to undo manifest injustice.

11. For the foregoing reasons, this Court is of the considered opinion that the arbitral proceedings initiated by respondent No.2, the interim order passed therein, and the consequential debit freezing action undertaken by respondent No.1 are all unsustainable in law.

12. Accordingly, this Court proceeds to pass the following:

ORDER

- (i) The writ petition is ***allowed***;
- (ii) The respondent No.1–Bank is directed to forthwith defreeze the petitioner’s bank



account bearing No.5832500100615101 and restore full operational access to the petitioner;

(iii) It is made clear that this order shall not preclude respondent No.2 from initiating appropriate proceedings afresh, strictly in accordance with law and in compliance with the principles governing appointment of arbitrators and conduct of arbitral proceedings.

Sd/-
(SACHIN SHANKAR MAGADUM)
JUDGE

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List No.: 1 SI No.: 59