RESERVED ON 15TH JULY 2026

IN THE HIGH COURT OF KARNATAKA AT BENGALURU

DATED THIS THE 28TH DAY OF JULY, 2026

PRESENT

THE HON'BLE MR. VIBHU BAKHRU, CHIEF JUSTICE

AND

THE HON'BLE MRS. JUSTICE K.S. HEMALEKHA

WRIT APPEAL NO.1948 OF 2025 (GM-RES)

BETWEEN:

1. CANARA BANK
   D'COSTA SQAURE BRANCH
   NO.98/1-2,
   WHEELERS ROAD EXTENSION
   COOKE TOWN
   BANGALORE - 560 005
   REP. BY ITS CHIEF MANAGER/
   AUTHORIZED OFFICER
   P. THANGARAJ
   S/O P.V. PALANICHAMY
   AGED 45 YEARS

...APPELLANT

(BY SRI VIKRAM UNNI RAJAGOPAL, ADVOCATE)

AND:

1. M/S. SLN HOLLOW BLOCKS AND
   EARTH MOVERS
   NO.75/1, YARAPANAHALLI MAIN ROAD
   BIDARHALLI HOBLI
   SURVEY NO.99
   KANNUR P.O. & VILLAGE
   BANGALORE - 562 149
   REP. BY ITS PROPRIETOR
   MR RAJANNA R

2. MR RAJANNA R
S/O LATE RAMAIAHA
AGED ABOUT 57 YEARS
R/AT KUNNUR POST AND VILLAGE
SLN HOLLOW BLOCK
BANGALORE - 562 149

...RESPONDENTS

(BY SRI. PRAKASH T, ADVOCATE)

THIS WRIT APPEAL IS FILED UNDER SECTION 4 OF THE KARNATAKA HIGH COURT ACT PRAYING TO SET ASIDE THE ORDER DATED 11.08.2025 IN W.P.No.23835/2022 (GM-RES) AND DISMISS THE WRIT PETITION BEARING W.P.No.23835/2022 (GM-RES).

THIS WRIT APPEAL HAVING BEEN HEARD AND RESERVED FOR JUDGMENT, COMING ON FOR PRONOUNCEMENT THIS DAY, JUDGMENT WAS PRONOUNCED AS UNDER:

CORAM: HON'BLE MR. VIBHU BAKHRU, CHIEF JUSTICE
and
HON'BLE MRS. JUSTICE K.S. HEMALEKHA

C.A.V. JUDGMENT

(PER: HON'BLE MR. VIBHU BAKHRU ,CHIEF JUSTICE)

1. The appellant [**Bank**] has filed the present appeal impugning an order dated 11.08.2025 passed by the learned Single Judge in Writ Petition No.23835/2022 (GM-RES). The respondents had filed the said petition impugning the order dated 13.03.2020 passed by the Chief Judicial Magistrate, Bengaluru Rural District, Bengaluru [**Judicial Magistrate**] under Section 14 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 [**SARFAESI Act**] in Crl.Misc. No.115/2020.

2. The respondents had availed financial assistance from the Bank. They state that they had availed OCC loan to the extent of ₹20,00,000/- (Rupees Twenty lakh only) and OD loan for a sum of ₹55,00,000/- (Rupees Fifty five lakh only). They had created a security interest over the subject property by executing a Memorandum of Deposit of Title Deeds dated 16.03.2018 over the land measuring 2 acres and $8^1/_2$ guntas out of 4 acres 17 guntas comprising in Survey No.99/1 of Kannur Village, Bidarahalli Hobli, Bengaluru East Taluk, Bengaluru [**subject property**] and also deposited the title deeds in respect of the subject property. Admittedly, the respondents defaulted in their repayment obligations to the Bank. Resultantly, on 30.05.2019, the Bank classified the respondents' loan account as a Non Performing Asset [**NPA**]. Thereafter, the Bank issued a notice dated 29.07.2019 under Section 13(2) of the SARFAESI Act calling upon the respondents to pay an outstanding amount of ₹76,62,623/- (Rupees Seventy Six Lakh Sixty Two Thousand Six Hundred and Twenty Three only) within a period of sixty days from the date of the said notice.

3. Concededly, the respondents failed to pay the amount as demanded within the stipulated period. Accordingly, the Bank

issued a notice dated 23.01.2020 under Section 13(4) of the SARFAESI Act and took over symbolic possession of the subject property. On 18.02.2020, the Bank filed Crl.Misc. No.115/2020 before the learned Judicial Magistrate under Section 14 of the SARFAESI Act, *inter alia,* praying for a direction for taking possession of the subject property; a direction to the jurisdictional police authority to assist the Bank in taking over the possession; and an order appointing an Advocate Commissioner for taking over possession of the subject property. The said application was allowed by an order dated 13.03.2020, and the learned Judicial Magistrate appointed an Advocate Commissioner to take over possession of the subject property and deliver the same to the Bank. The respondents filed the writ petition impugning the said order.

4. The respondents claim that they had approached the Bank for a One Time Settlement [**OTS**] of the outstanding liability and had agreed to pay a sum of ₹58,00,000/- (Rupees Fifty Eight Lakh only) in full and final settlement of the loan amount. They had paid a sum of ₹20,000/- on the spot on 02.08.2021 and according to them, their offer was accepted by the Bank. They claim that subsequently on 25.02.2022, they paid a further sum of ₹5,00,000/-

towards the OTS amount. The respondents contend that thereafter they had sought time from the Bank to make further payments on the ground that the mother of respondent No.2 was aged about 95 years old and he was involved in taking care of her. Therefore, he was unable to carry on the business and arrange the funds for repayment of the loan amount. The respondents claim that their request was disregarded and the Bank had proceeded to take possession and issue an auction notice dated 18.11.2022 for auctioning the subject property on 21.12.2022.

5. The Bank filed the statement of objections and contested the said petition. The Bank claimed that respondent No.2 had visited the regional office on 02.08.2021 and had met the regional office head, and he was permitted to clear 50% of the liability by 29.11.2021 and the remaining amount by 28.02.2022. Thus, the respondents were granted ample opportunity to settle the dues but had failed to do so.

6. On 29.11.2022, the learned Single Judge passed an interim order restraining the Bank from precipitating the matter. The said interim order was extended from time to time.

7. The Bank, in its statement of objections, filed on 18.07.2023, had quantified the total amount payable by the respondents at ₹1,01,00,000/- (Rupees One Crore and One Lakh only), and the said amount was not deposited. The respondents' case was that the Bank had agreed to settle the amount under an OTS for a sum of ₹58,00,000/-. In this context, the learned Single Judge observed that the respondents could not be permitted the benefit of an interim order unconditionally and directed them to deposit a sum of ₹40,00,000/- in two instalments; ₹20,00,000/- within four weeks from the said date and the balance ₹20,00,000/- within two weeks thereafter. The learned Single Judge further clarified that if the respondents failed to make the payments as directed, the interim order would stand vacated.

8. The respondents deposited the amounts as directed. However, there was a delay of one day in complying with the time schedule. The Bank claims that on account of the said delay, the interim order stood vacated.

9. On 01.04.2024, the learned Single Judge passed an order accepting the Bank's contention that a one-day delay had resulted in the interim order being vacated. However, the learned Single

Judge passed an *ad* interim order extending the interim protection, as the respondents had deposited a sum of ₹54,44,900/- by that date.

10. While the respondents contended that they had arrived at OTS amount of ₹58,00,000/-, the Bank disputed that the parties had entered into an OTS. The Bank claimed that the handwritten notation "Accepted for OTS", appearing on the offer letter dated 02.08.2021, along with signature of the branch official, was a mistake on the part of the Bank branch. However, the learned Single Judge was sceptical in accepting the said explanation as there was no communication issued by the Bank rejecting the OTS offer. The learned Single Judge also granted the Bank further time to place on record any communication rejecting the OTS offer before the next date of hearing, which was scheduled on 23.04.2024. The Bank acknowledged that there was no communication rejecting the OTS. However, the Bank submitted that the Bank officer who had acknowledged the respondents' OTS letter had no authority to accept the proposal for OTS. The offer letter for the OTS was not placed before the competent authority, and as such it had no occasion to reject the same.

11. The petition was finally heard and disposed of in terms of the impugned order.

IMPUGNED ORDER

12. The learned Single Judge noted the Bank's contention that in terms of the Bank's Master Circular, the OTS amount had to be paid within a period of ninety days and that the payments had been made by the respondents beyond the said period. The learned Single Judge declined to reject the petition on the ground of an alternate remedy being available. Whilst the learned Single Judge accepted the contention that the respondents had an alternate remedy under Section 17 of the SARFAESI Act, the court decided to entertain the petition on the basis that certain developments had taken place during the course of the proceedings. The learned Single Judge rejected the contention that the payments were to be made within a period of ninety days, on the ground that no such condition had been communicated to the respondents, and held that the OTS amount was required to be paid within a reasonable period. The learned Single Judge reasoned that since the same had not been paid within a reasonable period, the respondents were liable to pay interest at the rate of 12% per annum from 01.01.2022 till the date of the first payment and 12% on the

reducing balances till payment. The learned Single Judge further directed the respondents to pay the amount within a period of three months from the date of the order and restrained the Bank from proceeding with further action.

REASONS AND CONCLUSIONS

13. The learned counsel appearing for the Bank has assailed the impugned order on three fronts. First, he contended that in view of the efficacious alternate remedy available under Section 17 of SARFAESI Act against an order passed under Section 14 of the said Act, the writ petition ought not to have been entertained and was liable to have been rejected. Second, he submitted that the terms of the OTS could not be modified. He contended that the parties had not entered into an OTS and that the notation in the letter to the effect that the OTS was accepted was a mere acknowledgement, which was issued without any authority. The branch official who had signed the said letter was not authorised to enter into any OTS on behalf of the Bank with the respondents and, therefore, the same was not binding on the Bank. However, even if it is accepted that the Bank had entered into an OTS, there was admittedly a delay in payment of the OTS amount and, therefore, the Bank could not be compelled to be bound by the said terms.

He contended that the learned Single Judge has modified the terms of the OTS and has compelled the Bank to accept the delayed payments along with interest.

14. Third, he submitted that the impugned order was beyond the relief as prayed for in the writ petition. He contended that the writ petition was confined to challenging the order dated 13.03.2020 passed by the learned Judicial Magistrate under Section 14 of the SARFAESI Act. However, the learned Single Judge has effectively directed the closure of the loan account on the terms that were disputed by the Bank.

15. We find considerable merit in all the three contentions advanced on behalf of the Bank.

16. Section 34 of the SARFAESI Act, expressly bars the jurisdiction of the civil courts to entertain any suit or proceedings in respect of any matters which the Debts Recovery Tribunal or the Appellate Tribunal is empowered to consider. It is also relevant to refer to Section 35 of the SARFAESI Act which contains a *non-obstante* clause, thus positing that the provisions of the SARFAESI Act would have an overriding effect over any other law to the extent it is inconsistent with the SARFAESI Act.

17. Sections 34 and 35 of the SARFAESI Act are set out below:

> "**34. Civil court not to have jurisdiction.—**No civil court shall have jurisdiction to entertain any suit or proceeding in respect of any matter which a Debts Recovery Tribunal or the Appellate Tribunal is empowered by or under this Act to determine and no injunction shall be granted by any court or other authority in respect of any action taken or to be taken in pursuance of any power conferred by or under this Act or under the Recovery of Debts Due to Banks and Financial Institutions Act, 1993 (51 of 1993).
>
> **35. The provisions of this Act to override other laws**.—The provisions of this Act shall have effect, notwithstanding anything inconsistent therewith contained in any other law for the time being in force or any instrument having effect by virtue of any such law."

18. It is clear from the above that the legislative intent is to preclude any intervention of the civil courts in the matters which can be considered by the Debts Recovery Tribunal or the Appellate Tribunal. Although the said provisions do not exclude the remedies available under Article 226 of the Constitution of India, it is well settled that in a case where the relevant statute provides an alternate remedy, the High Court would ordinarily refrain from exercising the said jurisdiction.

19. In **United Bank Of India vs. Satyawati Tondon**[1], the Supreme Court had faulted the High Court in entertaining a petition under Article 226 of the Constitution of India against a notice

[1] (2010) 8 SCC 110

issued under Section 13(4) of the SARFAESI Act and order under Section 14 of the SARFAESI Act. The relevant extract of the said decision, which is instructive, is set out below:

> "*42*. There is another reason why the impugned order should be set aside. If Respondent 1 had any tangible grievance against the notice issued under Section 13(4) or action taken under Section 14, then she could have availed remedy by filing an application under Section 17(1). The expression "any person" used in Section 17(1) is of wide import. It takes within its fold, not only the borrower but also the guarantor or any other person who may be affected by the action taken under Section 13(4) or Section 14. Both, the Tribunal and the Appellate Tribunal are empowered to pass interim orders under Sections 17 and 18 and are required to decide the matters within a fixed time schedule. It is thus evident that the remedies available to an aggrieved person under the SARFAESI Act are both expeditious and effective.
>
> *43*. Unfortunately, the High Court overlooked the settled law that the High Court will ordinarily not entertain a petition under Article 226 of the Constitution if an effective remedy is available to the aggrieved person and that this rule applies with greater rigour in matters involving recovery of taxes, cess, fees, other types of public money and the dues of banks and other financial institutions. In our view, while dealing with the petitions involving challenge to the action taken for recovery of the public dues, etc. the High Court must keep in mind that the legislations enacted by Parliament and State Legislatures for recovery of such dues are a code unto themselves inasmuch as they not only contain comprehensive procedure for recovery of the dues but also envisage constitution of quasi-judicial bodies for redressal of the grievance of any aggrieved person. Therefore, in all such cases, the High Court must insist that before availing remedy under Article 226 of the Constitution, a person must exhaust the remedies available under the relevant statute.

> *44*. While expressing the aforesaid view, we are conscious that the powers conferred upon the High Court under Article 226 of the Constitution to issue to any person or authority, including in appropriate cases, any Government, directions, orders or writs including the five prerogative writs for the enforcement of any of the rights conferred by Part III or for any other purpose are very wide and there is no express limitation on exercise of that power but, at the same time, we cannot be oblivious of the rules of self-imposed restraint evolved by this Court, which every High Court is bound to keep in view while exercising power under Article 226 of the Constitution.
>
> *45*. It is true that the rule of exhaustion of alternative remedy is a rule of discretion and not one of compulsion, but it is difficult to fathom any reason why the High Court should entertain a petition filed under Article 226 of the Constitution and pass interim order ignoring the fact that the petitioner can avail effective alternative remedy by filing application, appeal, revision, etc. and the particular legislation contains a detailed mechanism for redressal of his grievance.
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> * * *
>
> *55*. It is a matter of serious concern that despite repeated pronouncement of this Court, the High Courts continue to ignore the availability of statutory remedies under the DRT Act and the SARFAESI Act and exercise jurisdiction under Article 226 for passing orders which have serious adverse impact on the right of banks and other financial institutions to recover their dues. We hope and trust that in future the High Courts will exercise their discretion in such matters with greater caution, care and circumspection."

20. Clearly, the decision of the learned Single Judge to entertain the writ petition and to pass the impugned order therein runs contrary to the principle of self-restraint as enunciated by the Supreme Court in Satyawati Tondon (*supra*)

21. In **South Indian Bank Limited and Others vs. Naveen Mathew Philip and Another**[2], the Supreme Court referred to the earlier decisions including the decision in **Satyawati Tandon** (*supra*) and held as under:

> "18. While doing so, we are conscious of the fact that the powers conferred under Article 226 of the Constitution of India are rather wide but are required to be exercised only in extraordinary circumstances in matters pertaining to proceedings and adjudicatory scheme qua a statute, more so in commercial matters involving a lender and a borrower, when the legislature has provided for a specific mechanism for appropriate redressal."

22. It would also be instructive to refer to the later decision of the Supreme Court in **PHR Invent Educational Society vs. UCO Bank and Others**[3]. In the said case, the Supreme Court after referring to its earlier decisions, had noted certain exceptions to the general rule of self-restraint which ordinarily precludes the entertaining of a petition under Article 226 of the Constitution of India where an alternate remedy is available. The relevant extract of the said decision is set out below:

> "37. It could thus clearly be seen that the Court has carved out certain exceptions when a petition under Article 226 of the Constitution could be entertained in spite of availability of an alternative remedy. Some of them are thus:

[2] (2023) 17 SCC 311
[3] (2024) 6 SCC 579

> (*i*) where the statutory authority has not acted in accordance with the provisions of the enactment in question;
> (*ii*) it has acted in defiance of the fundamental principles of judicial procedure;
> (*iii*) it has resorted to invoke the provisions which are repealed; and
> (*iv*) when an order has been passed in total violation of the principles of natural justice.
>
> 38. It has however been clarified that the High Court will not entertain a petition under Article 226 of the Constitution if an effective alternative remedy is available to the aggrieved person or the statute under which the action complained of has been taken itself contains a mechanism for redressal of grievance.
>
> 39. Undisputedly, the present case would not come under any of the exceptions as carved out by this Court in *Chhabil Dass Agarwal* [*CIT* v. *Chhabil Dass Agarwal*, (2014) 1 SCC 603] .
>
> 40. We are therefore of the considered view that the High Court has grossly erred in entertaining and allowing the petition under Article 226 of the Constitution."

23. It is relevant to note that the Supreme Court also once again highlighted the observations made by the Supreme Court in the decision in **Satyawati Tondon** (*supra*) and referred to the observations made by the Supreme Court in paragraph 55 of the decision in **Satyawati Tondon** (*supra*) which is set out hereinbefore.

24. The challenge in the present case is not covered under any of the exceptions mentioned in **PHR Invent Educational Society**

(*supra*). Therefore, the writ petition ought not to have been entertained on the ground of alternate remedy. The impugned order is liable to be set aside for this reason alone.

25. The impugned order is also unsustainable as, in effect, it seeks to impose a contract between the parties. The impugned order is also unsustainable for the reason that it effectively adjudicates a factual dispute that involves questions of fact. It was the case of respondent No.2 that he had visited the office of the Bank and had furnished an OTS proposal. The offer letter submitted by respondent No.2 is set out below:

"OFFER LETTER

Place: Bengaluru
Date: 02/08/2021

From:

Name: Rajanna
Address: S/O Late Ramalah

To:

The Manager
Canara Bank

SUB: 0432256000392 & 0432261000373

I have availed subject loan/s from your Bank. I could not repay the loan/s in time as agreed for reasons:

1. Business loss due to Covid.
2.

Now, I am agreeable to settle the dues with the Bank under compromise with an OTS offer of Rs.58,00,000/- in full and final settlement and payable as under:

1. Spot payment Rs 20,000/-
2.

I am willing to abide by terms and conditions stipulated by the Bank in this regard.

Yours faithfully,
Sd/-
(BORROWER)"

26. The said letter has a handwritten notation on the lower portion, which reads as "Accepted for OTS for Rs.58,00,000/-," and the signature of one of the Bank officials. It is material to note that the said offer letter is claimed to have been handed over at the counter of the bank branch to the concerned official. It is also relevant to note that the offer letter, dated 02.08.2021, was submitted after the learned Judicial Magistrate's order dated 13.03.2020, which was impugned in the writ petition. It is also to be noted that the offer letter appears to be a standard-format letter in which the details of the name of the borrower, address, date, subject, reasons for non-payment, and the manner of payment are left blank. These details have been filled up by hand.

27. It is also material to note that although the offer letter states that the respondents were agreeable to settle the dues under a compromise with an OTS of ₹58,00,000/- in full and final settlement, the manner in which the said amount was to be paid

has been left incomplete inasmuch as it refers only to a spot payment of ₹20,000/-. Although the offer letter is also worded to provide the manner of payment, the relevant details have not been filled in by the respondents. The letter itself is incomplete. However, the letter also states that the respondents are willing to abide by the terms and conditions stipulated by the Bank in regard to OTS. The circular issued by the Bank for settlement of NPAs contains provisions regarding the special scheme for settlement of NPAs in the micro, small and medium enterprises sector, which sets out the formula for computing the net worth of the borrower and for arriving at the settlement amount. The payment conditions set out in the said circular are reproduced below:

> "**III. PAYMENT CONDITIONS:**
>
> a) The amount of settlement arrived at as above, should be paid preferably in one lump sum, immediately on receipt of sanction.
>
> b) In deserving cases where borrowers are unable to pay the entire amount in one lump sum, Bank may consider recovering 25% of the amount of settlement upfront at the time of sanction and the balance amount of 75% should be recovered within a period of 3 months from the date of sanction. However, if the parties request for further time, another 3 months time can be permitted subject to recovering interest @ One Year MCLR (prevailing as at 01.04.2021) + 0.50% from the date of sanction of OTS till the date of final payment."

28. The said circular also provides that the decision on the OTS and the consequent sanction of waiver of unapplied interest and / or write off shall be taken by the competent authority in accordance with the delegation of powers under the Loan Recovery Policy of the bank (Circular No.284/2021 dated 03.05.2021), and that such decisions are subject to reporting and review.

29. In view of the above, the dispute as to whether the parties had entered into a OTS would necessarily require examination of, first, whether the official who is said to have signed the notation on the offer letter was authorised to enter into a OTS on behalf of the Bank; and second, whether the letter of offer, which is *ex facie* incomplete, was capable of acceptance at all and if so, upon what payment conditions. However, the learned Single Judge has not examined the question whether the official was authorised to enter into a OTS with the respondents. The court proceeded on the basis that since there was no further communication, the Bank would be bound by the acceptance recorded on the offer letter. Given the nature of the dispute, it is also essential to examine the other factual aspects.

30. The learned Single Judge concluded that although the parties had agreed to the OTS amount, no time was fixed for its

payment, as the Bank had not communicated the payment schedule. In our view, this conclusion is *ex facie* erroneous. The OTS offer contains a stipulation as to the manner in which the payment was to be made; however, that portion of the letter has been left blank. At the same time, it also records that the respondents are agreeable to the Bank's terms and conditions in this regard. In this view of the matter, it was necessary to examine the other terms and conditions. Given the nature of the enquiries, it was not apposite for the court to render a summary decision.

31. There is merit in the contention that the learned Single Judge has effectively imposed a contract on the Bank. It is rightly pointed out that if all the assumptions and conclusions of the learned Single Judge are accepted – that (i) there was a binding OTS for a sum of ₹58,00,000/- between the parties; (ii) there was no stipulation as to the time period within which the OTS was to be paid; (iii) the payment of the OTS amount was to be made within a reasonable time; and (iv) the respondents had failed to make the payments within the reasonable period – it does not follow that the Bank would be bound to accept the OTS along with interest. Clearly, if the OTS is not paid within the time period agreed (or as held by the learned Single Judge within a reasonable period), the Bank has the

right to terminate the OTS. We are unable to accept that there is any principle that would compel the Bank to accept belated instalments of OTS on payment of interest. The learned counsel appearing for the Bank had rightly pointed out that the impugned order proceeds beyond the relief as sought for in the petition, which was confined to challenging the order issued under Section 14 of the SARFAESI Act.

32. In view of the above, the impugned order is set aside.

33. We clarify that this judgment will not preclude the parties from availing their remedies, including in respect of the OTS proposal. All rights and contentions of the parties are reserved.

34. The appeal is allowed in the aforesaid terms.

35. Pending interlocutory applications stand disposed of.

Sd/-
(VIBHU BAKHRU)
CHIEF JUSTICE

Sd/-
(K.S. HEMALEKHA)
JUDGE

AHB