* **IN THE HIGH COURT OF DELHI AT NEW DELHI**

% ***Reserved on: 07.04.2026***
Date of decision: 30.07.2026

\+ W.P.(C) 1205/2026

YOGESH JAIN & ANR ......Petitioners

Through: Mr. Avadh Bihari Kaushik, Adv. along with Petitioner No.1 in person.

versus

CENTRAL BANK OF INDIA .....Respondent

Through: Mr. Yogesh Pachauri, Adv.

CORAM:
HON'BLE MR. JUSTICE VIVEK CHAUDHARY
HON'BLE MS. JUSTICE RENU BHATNAGAR

JUDGMENT

1. The present petition assails common order dated 14.10.2025 ("impugned order") passed by the learned Debt Recovery Appellate Tribunal ("DRAT") in Misc. Appeal No. 415/2018 and Misc. Appeal No. 499/2018, whereby order dated 26.06.2018 arising out of OA 254/2010 before the learned Debt Recovery Tribunal–III, Delhi ("DRT") was challenged. By way of the impugned order, the appeal of the petitioner was allowed, and the appeal of the respondent-bank was dismissed with the direction that the respondent bank is liable to refund to the petitioner a sum of Rs.30,832.27/- with interest at the rate of 6% per annum simple from 11.03.2014 till the date of realization.

2. The brief facts giving rise to the present petition are that petitioner no.1, along with his son, approached the respondent-bank for grant of an

educational loan of Rs.15,00,000/- under the Education Loan Scheme, for pursuing a four-year undergraduate course at Indiana University, Bloomington, USA. By sanction letter dated 13.09.2002, the respondent-bank sanctioned the said educational loan, secured by the personal guarantees of Ms. Preeti Jain and Ms. Savitri Jain, along with a re-charge on the property already mortgaged with the respondent-bank in the account of M/s Rishabh Electricals Pvt. Ltd., belonging to Ms. Savitri Jain. Pursuant thereto, an Agreement for Educational Loan dated 24.09.2002 was executed between the parties. Under the terms of the sanction, the loan was to be repaid in 84 monthly instalments commencing twelve months after completion of the course or six months after the student secured employment, whichever was earlier. During the moratorium period, only simple interest was to be charged and, thereafter, compound interest was payable, with penal interest of 2% being payable only on overdue amounts. As per the respondent-bank, the loan amount of Rs.15,00,000/- was to be disbursed in four instalments of Rs.3,75,000/- each, as and when demanded by the university.

3. Out of the sanctioned loan amount of Rs.15,00,000/-, the respondent-bank disbursed only three instalments of Rs.3,75,000/- each on 01.10.2002, 25.07.2003 and 23.04.2004, aggregating to Rs.11,25,000/-. The fourth and final instalment of Rs.3,75,000/- was withheld by the respondent-bank for want of adequate security, despite repeated requests made by petitioner no.1 for release of the same for payment of the tuition fee required for completion of his son's course. The petitioners also did not repay the loan amount disbursed by the respondent-bank, claiming that fourth and final instalment was not received and the repayment had to start after they had received the full education loan amount during the course. According to the

petitioners, the respondent-bank unjustifiably insisted upon furnishing additional collateral security, although the sanction letter did not stipulate any such condition and the security was already accepted by the respondent-bank. Thereafter, alleging default in repayment, the respondent-bank instituted O.A. No.254/2010 before the DRT seeking recovery of Rs.24,93,511/- together with further interest. During the pendency of the recovery proceedings, in order to protect their property from attachment and coercive recovery proceedings, the petitioners furnished Fixed Deposit Receipts ("FDR") aggregating to Rs.35.11 lakhs before the DRT as security. Thereafter, upon the O.A. being allowed by final order dated 21.02.2014, the respondent-bank encashed and appropriated the said FDR amount on 10.03.2014 towards the alleged outstanding dues. The petitioners preferred Appeal No.353/2014 before the DRAT, Delhi which came to be dismissed on 03.02.2015.Aggrieved thereby, the petitioners approached this Court by filing W.P. (C) No.4454/2015. By judgment dated 31.03.2016, this Court set aside the orders passed by the DRT and the DRAT, and remanded the matter to the DRT with directions to ensure that the respondent-bank produced complete and legible statements of account, grant an opportunity to the petitioners to examine and object to the debit entries relating to interest and overdue interest, quantify the amount actually due and also give due adjustment of the amount appropriated by the respondent-bank from the FDR amounting to Rs.35.11 lakhs, with consequential refund, if any, found payable. Pursuant to the remand, the respondent-bank filed affidavits stating that the statements of account prior to the year 2006 could not be produced as the accounts had originally been maintained on a stand-alone computer system at the Daryaganj Branch, which was subsequently migrated to the Core Banking

System in the year 2006, rendering the earlier data unavailable despite efforts to retrieve the same.

4. By order dated 26.06.2018, the DRT held that the respondent-bank had disbursed only three instalments and unjustifiably withheld the fourth and final instalment of the educational loan, which has adversely affected the education of the student. Having regard to the peculiar facts and circumstances of the case, the DRT exercised its discretion while balancing equity between the parties and directed that the liability be recomputed by applying simple interest throughout. However, it has been pointed out during the course of arguments that there is an apparent computation error by the DRT. After adjusting the amount appropriated by the respondent-bank from the FDRs, the DRT directed refund of the balance amount found payable to the petitioners. Aggrieved thereby and calculations therein, both the petitioners and the respondent-bank preferred appeals before the DRAT.

5. By the impugned common order dated 14.10.2025, the DRAT held that the Tribunal is empowered to reduce *pendente lite* and future interest depending upon the facts and circumstances of each case and to award such rate of interest as would meet the ends of justice. The DRAT further affirmed that only simple interest was chargeable during the moratorium period. However, while also affirming the finding of the DRT that the respondent-bank had withheld the fourth and final instalment of the educational loan and that the same has caused hardship to the student, the DRAT exercised the aforesaid discretion and set aside the computation made by the DRT by directing that, after expiry of the moratorium period, the liability be computed in terms of the contractual stipulations, including compound as well as penal interest, while restricting the *pendente lite* interest

from the date of filing of the O.A. till appropriation of the FDR to 6% per annum simple. Aggrieved by the interference with the exercise of discretion by the DRT and the consequent recalculation of liability, the petitioners have preferred the present writ petition.

6. Learned counsel for the petitioners submits that the respondent-bank itself committed breach of the sanctioned loan arrangement by withholding the fourth and final instalment of the educational loan of Rs.15,00,000/-, despite requests made by the petitioners and despite the loan having been sanctioned under the educational loan scheme for enabling completion of the student's course abroad. It is submitted that the respondent-bank unjustifiably insisted upon furnishing additional collateral security, although the sanction letter itself accepted the existing security by way of re-charge of the property already mortgaged with the respondent-bank along with personal guarantees, and no condition requiring any further security formed part of the sanction terms. It is further submitted that despite directions issued by the DRT and this Court in the earlier round of litigation, the respondent-bank failed to produce complete and legible statements of account for the period prior to 2006. It is lastly submitted that, although the DRAT has allowed the appeal preferred by the petitioners, it has, in effect, failed to grant them any meaningful or effective relief.

7. Per contra, learned counsel for the respondent-bank submits that the statements of account prior to 2006 could not be produced due to migration from the stand-alone banking system to the Core Banking System and despite efforts, the data could not be retrieved. It is further submitted that such non-availability caused no prejudice to the petitioners as repayment of education loan was to commence after the moratorium period and only simple

interest was chargeable during same, and contractual compound interest as well as penal interest became applicable thereafter. Reliance is also placed upon petitioner no.1's letter dated 22.12.2005 acknowledging receipt of the three disbursements.

8. This Court has considered the submissions advanced by the learned counsel for the parties and perused the material placed on record.

9. It is not in dispute that the respondent-bank sanctioned an educational loan of Rs.15,00,000/- for enabling the son of petitioner no.1 to pursue education abroad but disbursed only Rs.11,25,000/- by releasing only three instalments and withheld the fourth and final instalment of Rs.3,75,000/-. The petitioner also did not start its repayment when it fell due. The matter thereafter travelled before the DRT, the DRAT and this Court, culminating in the remand by judgment dated 31.03.2016 of this Court. Upon remand, the respondent-bank expressed its inability to produce the statements of account for the period prior to 2006 and the DRT and DRAT proceeded to determine the liability after recalculating the interest. The controversy in the present petition, therefore, is confined to the correctness of the exercise of discretion by the DRT and the DRAT in computing the liability and interest payable in the peculiar facts of the present case.

10. It is also not in dispute that the respondent-bank had accepted the collateral security at the time of sanction and had released three instalments on that basis. Having sanctioned the loan for the entire course, the respondent-bank ought to have released the fourth and final instalment during the subsistence of the course, particularly when the loan was sanctioned to enable completion of the student's education. While the respondent-bank was always at liberty to recover its dues in accordance with law upon default,

withholding the final instalment defeated the very object of the educational loan and caused hardship to the student. It is in the backdrop of these peculiar facts that the exercise of discretion by the DRT and its interference by the DRAT is required to be examined.

11. Before dealing with the principal issue, the grievance of the petitioners regarding non-production of the complete statements of account requires consideration. Though this Court, while remanding the matter in W.P. (C) No.4454/2015, had directed the respondent-bank to produce complete and legible statements of account, the respondent-bank has explained in its affidavits dated 12.07.2017 and 19.06.2018 that the statements for the period from 2002 to 2006 could not be produced due to migration from the stand-alone banking system to the Core Banking System and despite efforts, the earlier data could not be retrieved. It has further stated that during the said period, the loan was under the moratorium and only simple interest was chargeable. In the absence of any material to show that the explanation is untenable, this Court is inclined to accept the explanation regarding the non-availability of the records, though such inability cannot be regarded as an ideal state of affairs expected from a nationalised bank.

12. On perusal of the order dated 26.06.2018 passed by the DRT, we find that the DRT, while determining the liability of the petitioners, has taken into consideration the peculiar facts and circumstances of the case, including the fact that the loan in question was an educational loan sanctioned for enabling the son of petitioner no.1 to pursue his undergraduate course abroad, and that the respondent-bank, despite sanctioning the loan for the entire course, has withheld the fourth and final instalment of Rs.3,75,000/-. The DRT has also held that such withholding of the final instalment has adversely affected the

education of the student. It is in the aforesaid circumstances, that the DRT exercised its discretion and directed that the liability be computed by applying simple interest throughout. The DRT thus sought to balance the equities between the parties by requiring the petitioners to repay the amount actually disbursed with simple interest while denying the respondent-bank the benefit of compound and penal interest. This Court is of the view that the aforesaid exercise of discretion by the DRT cannot be said to be arbitrary, unreasonable or perverse.

13. In ***Wander Ltd. v. Antox India (P) Ltd***., 1990 Supp SCC 727, the Supreme Court held: -

> *"14. The appeals before the Division Bench were against the exercise of discretion by the Single Judge. In such appeals, the appellate court will not interfere with the exercise of discretion of the court of first instance and substitute its own discretion except where the discretion has been shown to have been exercised arbitrarily, or capriciously or perversely or where the court had ignored the settled principles of law regulating grant or refusal of interlocutory injunctions. An appeal against exercise of discretion is said to be an appeal on principle. Appellate court will not reassess the material and seek to reach a conclusion different from the one reached by the court below if the one reached by that court was reasonably possible on the material. The appellate court would normally not be justified in interfering with the exercise of discretion under appeal solely on the ground that if it had considered the matter at the trial stage it would have come to a contrary conclusion. If the discretion has been exercised by the trial court reasonably and in a judicial manner the fact that the appellate court would have taken a different view may not justify interference with the trial court's exercise of discretion. After referring to these principles Gajendragadkar, J. in Printers (Mysore) Private Ltd. v. Pothan Joseph [(1960) 3 SCR 713: AIR 1960 SC*

1156]: (SCR 721)

> *"... These principles are well established, but as has been observed by Viscount Simon in Charles Osenton & Co. v. Jhanaton [1942 AC 130]*
> *'...the law as to the reversal by a court of appeal of an order made by a judge below in the exercise of his discretion is well established, and any difficulty that arises is due only to the application of well settled principles in an individual case'."*

The appellate judgment does not seem to defer to this principle."

14. The above ***Wander Ltd.*** (supra) was followed by the Supreme Court in ***Mohd. Mehtab Khan and Ors. v. Khushnuma Ibrahim Khan and Ors.***, (2013) 9 SCC 221, and also in ***Ramdev Food Products (P) Ltd. v. Arvindbhai Rambhai Patel and Ors***., (2006) 8 SCC 726. The relevant paragraph of Ramdev Food Products: -

> *"**126.** The grant of an interlocutory injunction is in exercise of discretionary power and hence, the appellate courts will usually not interfere with it. However, the appellate courts will substitute their discretion if they find that discretion has been exercised arbitrarily, capriciously, perversely, or where the court has ignored the settled principles of law regulating the grant or refusal of interlocutory injunctions. This principle has been stated by this Court time and time again. [See for example Wander Ltd. v. Antox India (P) Ltd. [1990 Supp SCC 727], Laxmikant V. Patel v. Chetanbhai Shah [(2002) 3 SCC 65] and Seema Arshad Zaheer v. Municipal Corpn. of Greater Mumbai [(2006) 5 SCC 282 : (2006) 5 Scale 263] .]"*

15. In the impugned order, the DRAT, in the same manner as DRT, found that the respondent-bank had also illegally withheld the fourth and final

instalment and, thus, caused hardship to the student. However, it modified the simple interest granted by the DRT to compound as well as penal interest. The DRAT states that it has discretion in awarding interest and thus, it has proceeded to vary the same. The law as laid down in ***Wander Ltd.*** (supra) holds that the discretion exercised by a Court can be varied by the Appellant Court only when the same is arbitrary, capricious, perverse or contrary to the settled principles of law. In the present case, the DRAT has not given any such finding. On the contrary it affirms the reason given by the DRT that mistake is also on part of the respondent-bank. In the given circumstances, the DRAT could not have varied the discretion exercised by the DRT. Thus, we find the order of the DRAT dated 14.10.2025 to be illegal and deserves to be set aside.

16. However, while the exercise of discretion by the DRT in directing that simple interest be applied is found to be justified, the actual computation undertaken by the DRT being faulty cannot be sustained. The DRT has proceeded to calculate the interest liability by treating the entire amount of Rs.11,25,000/- as having been disbursed as a lump sum. The record, however, demonstrates that the said amount was not disbursed to the petitioners in one go. The respondent-bank had disbursed three separate instalments of Rs.3,75,000/- each, on 01.10.2002, 25.07.2003 and 23.04.2004.The interest is required to be calculated separately with reference to each of the three actual dates of disbursement. The fact that the aggregate amount disbursed was Rs.11,25,000/- cannot alter the fact that the petitioners received the said amount in three distinct instalments on three different dates. The computation of liability must, therefore, necessarily take into account the actual date on which each instalment was disbursed and the period for which the amount

remained outstanding.

17. Accordingly, the impugned common order dated 14.10.2025 passed by the DRAT in Misc. Appeal No.415/2018 and Misc. Appeal No.499/2018 is hereby set aside. The order dated 26.06.2018 passed by the DRT is required to be modified only to the limited extent in which the liability is to be computed, as set out hereinafter.

18. The respondent-bank shall recompute the entire liability of the petitioners by applying simple interest throughout from the respective dates of disbursement of each of the three instalments up to 10.03.2014, i.e. the date on which the FDR was appropriated. The computation shall be undertaken separately in respect of each instalment of Rs.3,75,000/- disbursed on 01.10.2002, 25.07.2003 and 23.04.2004, respectively, and the aggregate amount of Rs.11,25,000/- shall not be treated as having been disbursed as a lump sum on 01.10.2002.

19. For the avoidance of any ambiguity, it is further clarified that, the respondent-bank shall calculate the liability by applying simple interest for the respective periods at the applicable rate(s) reflected in the table forming part of the order dated 26.06.2018 passed by the DRT. The respondent-bank shall furnish to the petitioners a detailed statement of calculation clearly showing the principal amount, the applicable rate(s) of interest, the period(s) for which interest has been calculated, the interest so calculated, the total amount payable as on 10.03.2014 and the adjustment of the amount appropriated from the FDR on the said date, along with all consequential calculations.

20. The entire exercise of recalculation shall be undertaken by the respondent-bank within a period of four weeks from the date of this judgment.

If, upon such recalculation and adjustment, any amount is found refundable to the petitioners, the respondent-bank shall refund the said amount, together with simple interest at the rate of 7% per annum from 11.03.2014 till the date of actual realization/payment, within a further period of four weeks from the date of furnishing of the recalculated statement. Conversely, if upon such recalculation and adjustment any amount is found payable by the petitioners to the respondent-bank, the petitioners shall be liable to pay such amount on same terms.

21. The present writ petition is accordingly allowed in the aforesaid terms. Pending application(s), if any, shall also stand disposed of.

VIVEK CHAUDHARY
(JUDGE)

RENU BHATNAGAR
(JUDGE)

JULY 30, 2026
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