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

Judgment Reserved on: 09.07.2026

% ***Judgment Delivered on: 18.08.2026***

\# **CNR No. DLHC010287312026**

\+ **LPA 486/2026 & CM APPL. 42088/2026**

PUNJAB NATIONAL BANK .....Appellant

Versus

M.A. ENTERPRISES & ANR. .....Respondents

Advocates who appeared in this case

For the Appellant : Mr. Alok Kumar, Mr. Kunal Arora, Mr. Tarun Kumar and Ms. Parnika Jolly, Advocates.

For the Respondents : Mr. Sanjay Jain, Senior Advocate, Mr. Ravi Prakash, Senior Advocate along with Mr. Lal Singh Thakur, Mr. Uddhav Khanna, Ms. Sonali Singh, Ms. Kavya, Mr. Aditya Singh, Mr. Nishank Tripathi, Ms. Harshita Sukhija, Ms. Rishika Agrawal and Mr. Shreyan Srivastava, Advocates.

CORAM:
HON'BLE THE CHIEF JUSTICE
HON'BLE MR. JUSTICE TEJAS KARIA

JUDGMENT

TEJAS KARIA, J

1. The present *intra court* Appeal has been preferred by the Appellant, Punjab National Bank ("**Bank**"), assailing the judgment dated 01.07.2026

("**Impugned Judgment**") passed in W.P.(C) 11344/2024 ("**Writ Petition**") filed by Respondent No. 1.

2. *Vide* the Impugned Judgment, the learned Single Judge allowed the Writ Petition and directed the Bank to issue a no-dues certificate, release the title deeds of the secured property, and intimate Respondent No. 2 regarding closure of the account and updation of the credit record.

3. Aggrieved by the Impugned Judgment, the Bank has preferred the present Appeal, *inter alia*, on the ground that the Impugned Judgment failed to take into account the serious and substantial default committed by Respondent No. 1 in terms of the One Time Restructuring ("**OTR**") and adjudicated disputed questions of fact concerning the actual quantum of outstanding dues, as well as the applicability and withdrawal of concessions under the OTR. The Bank is also aggrieved by the findings in the Impugned Judgment concerning recalculation of interest and the legal effect of the statement of account dated 31.03.2024 reflecting a zero balance.

4. The Bank had sanctioned credit facilities to Respondent No. 1 *vide* Sanction Letter dated 18.04.2016 ("**Sanction Letter**"), which were subsequently renewed *vide* letter dated 28.09.2017. On 07.04.2020, the Bank granted a short renewal on concessional terms to Respondent No. 1. Thereafter, *vide* letter dated 16.08.2021, the Bank restructured the account of Respondent No. 1 under the RBI-approved OTR framework. As per the sanctioned OTR, Respondent No. 1 was granted various concessions; however, Respondent No. 1 failed to comply with the terms thereof.

5. Accordingly, the Bank classified two out of the three accounts of Respondent No. 1 as Non-Performing Assets ("**NPA**") on 02.07.2022. In consequence thereof, all concessions approved under the OTR, including the concessional rate of interest, stood withdrawn, and the applicable standard rate of interest was charged.

6. The Bank issued a demand notice dated 15.07.2022 under Section 13(2) of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 ("**SARFAESI Act**"), for recovery of the outstanding dues from Respondent No. 1. Thereafter, the Bank issued a possession notice dated 27.05.2023 under Section 13(4) of the SARFAESI Act for recovery of ₹31,66,70,478/- along with interest and other charges.

7. Subsequently, Respondent No. 1 sought permission from the Bank to sell the secured property. The said permission was granted *vide* letter dated 04.09.2023, with an express stipulation that the mortgage would continue until the dues were fully repaid and that the title deeds would remain with the Bank until repayment of the entire outstanding dues.

8. Respondent No. 1, *vide* letter dated 02.03.2024, confirmed payment of the outstanding dues with interest and requested reversal of penal interest on ₹1.25 crores. However, *vide* letter dated 15.03.2024, the Bank rejected the said request. Thereafter, Respondent No. 1 addressed a letter dated 27.03.2024 to the Bank stating that all dues had been cleared and that only ₹1.11 crores remained outstanding, out of which ₹71,00,000/- was towards penal interest charged by the Bank. The said letter further stated that, in

view of the Bank's letter dated 15.03.2024 refusing reversal of penal interest, Respondent No. 1 had no option but to pay the penal interest under protest and seek refund thereof in future. Accordingly, Respondent No. 1 requested the Bank to issue a no-dues certificate.

9. *Vide* e-mail dated 03.04.2024, Respondent No. 1 once again requested the Bank to close the account, stating that full payment of all dues, including principal and interest, had been made on 30.03.2024, and further requested release of the original title documents.

10. On 09.04.2024, Respondent No. 1 addressed letter to the Bank stating that the full amount in respect of both accounts declared as NPA by the Bank had already been paid and that both accounts reflected a zero balance. Accordingly, Respondent No. 1 requested the Bank to issue a no-dues certificate and release the property documents.

11. Respondent No. 1 addressed another letter dated 16.04.2024 to the Bank stating that the Bank had no Right of Recompense, as the operations of Respondent No. 1 had not commenced and the account continued to remain classified as NPA, the same not having been revived. Respondent No. 1 further submitted that, as per Reserve Bank of India ("**RBI**") Guidelines dated 27.03.2020, the Right of Recompense was not applicable to NPA accounts. In view thereof, Respondent No. 1 requested the Bank to waive the Right of Recompense, issue a no-dues certificate, and release the property documents.

12. In the meanwhile, Respondent No. 1 transferred the secured property *vide* Transfer Deed dated 22.05.2024. Thereafter, Respondent No. 1

addressed another letter dated 06.06.2024 to the Bank requesting waiver of the Right of Recompense, issuance of a no-dues certificate, and release of the title documents. On 30.07.2024, Respondent No. 1 again made a similar request to the Bank, relying upon the RBI circular dated 13.09.2023, which provides that property documents must be released by the Bank within 30 days of full repayment, failing which penalty may be imposed on the Bank.

13. As no response was received from the Bank, Respondent No. 1 filed the Writ Petition seeking a direction to the Bank to issue a no-dues certificate and release the title deeds of the property offered as security. The Writ Petition also sought a direction to the Bank to issue the necessary communication to Respondent No. 2 intimating closure of the outstanding amounts reflected in the accounts of Respondent No. 1 after updating the credit record of Respondent No. 1.

14. *Vide* the Impugned Judgment, the learned Single Judge observed that the Bank had not informed Respondent No. 1 of its decision to withdraw the concessions granted pursuant to the terms and conditions of the OTR and, therefore, could not have unilaterally withdrawn such concessions without intimating Respondent No. 1. The Impugned Judgment further records that, admittedly, the statement of account of Respondent No. 1 reflected a zero balance as on 31.03.2024, and that the explanation offered by the Bank that the same was an inadvertent error arising from failure to modify the concessional rates, did not inspire confidence.

15. The Impugned Judgment observes that the Bank failed to explain which terms and conditions of the OTR had not been complied with by

Respondent No. 1 and whether the withdrawal of the concessional rate of interest had been communicated to Respondent No. 1. The learned Single Judge further observed that although Clause 10 of the OTR permitted the Bank to withdraw the concessions without assigning any reason, the Bank was nevertheless required to intimate Respondent No. 1 of its decision to withdraw the concessions as per Clause 13 of the 'Overall Terms and Conditions'. The Impugned Judgment further records that the Bank disclosed its decision to withdraw the concessions under the OTR for the first time in the counter affidavit filed in the Writ Petition.

16. The learned Single Judge further observed that the Bank had applied the concessional rate of interest at the time of closure of the account and that, on that basis, Respondent No. 1 deposited the amount and ensured that the statement of account reflected a zero balance. The learned Single Judge rejected the Bank's submission that the said position had arisen due to an inadvertent error.

17. The learned Single Judge also relied upon the e-mail dated 01.04.2024 sent by the Chief Manager of the Bank, which indicated that one branch of the Bank had requested another branch to close the accounts of Respondent No. 1 and release the securities. The learned Single Judge rejected the Bank's submission that the said communication was merely an internal communication between two branches and was not intended for Respondent No. 1.

18. Accordingly, the Impugned Judgment concludes that, in the absence of any communication indicating when and why the OTR concessions were

withdrawn and whether such withdrawal was intimated to Respondent No. 1, and in view of the e-mail dated 01.04.2024 sent by one branch of the Bank to another requesting closure of the accounts and release of the title documents, Respondent No. 1 was entitled to the concessions granted under the OTR.

19. The Impugned Judgment, accordingly, allowed the Writ Petition, holding that since the statement of account reflected a zero balance and Respondent No. 1 had cleared all its dues, the Bank was liable to issue a no-dues certificate, release the title deeds of the secured property, and issue a communication to Respondent No. 2 intimating closure of the outstanding amounts reflected in the account of Respondent No. 1 after updating its credit record.

20. It is the case of the Bank that, as on 01.07.2024, an amount of approximately ₹8.33 crores, along with interest and expenses, remained recoverable from Respondent No. 1. The Bank has further contended that, in view of the serious and substantial disputed questions of fact concerning the actual quantum of outstanding dues and the applicability of the OTR concessions, the learned Single Judge could not have conclusively adjudicated these issues on the basis of affidavits alone.

21. Learned Counsel for the Bank submitted that a contested loan account dispute could not be adjudicated in exercise of writ jurisdiction, as the relief sought by Respondent No. 1 was, in substance, a declaration of full settlement and discharge of liability, which required adjudication upon evidence and could not be decided summarily in writ proceedings. It was

further submitted that the learned Single Judge misconstrued Clause 10 of the OTR by nullifying the Bank's express right to withdraw concessions without assigning reasons and by erroneously holding that the Bank was mandatorily required to intimate Respondent No. 1 and obtain acceptance before withdrawing the concessions as per Clause 13 of the 'Overall Terms and Conditions' of the Sanction Letter, contrary to the express contractual reservation contained in the terms of the OTR.

22. Learned Counsel for the Bank further submitted that, once the OTR failed on account of the default of Respondent No. 1, the Bank was entitled to withdraw the concessions and apply the contractual rate of interest. It was submitted on behalf of the Bank that Respondent No. 1 had no vested right to continue availing concessional treatment after breach of the restructuring framework.

23. Learned Counsel for the Bank submitted that reflection of a zero balance in the account did not amount to complete discharge of liability and that the statement of account could not be treated as conclusive proof of no-dues, particularly when the Bank had already explained that the concessional rates had been inadvertently applied. It was further submitted that, upon subsequent recalibration, it was found that the zero balance reflected in the statement of account of Respondent No. 1 was incorrect; however, the said explanation was brushed aside without any verification of the recalculation mechanism.

24. Learned Counsel for the Bank further submitted that the internal e-mail dated 01.04.2024 was wrongly treated as a binding confirmation,

although it was an inter-branch communication expressly subject to the Bank's guidelines and verification and, at best, reflected a request for closure of the account if the repayment was otherwise in order. It was submitted that such communication could not supersede the substantive stand of the Bank that further dues remained recoverable from Respondent No. 1. Learned Counsel for the Bank also submitted that the learned Single Judge failed to consider that Respondent No. 1 had itself admitted, in various communications, that substantial amounts remained outstanding and had challenged the Bank's right to impose penal interest as well as its Right of Recompense. Accordingly, it was submitted that the Impugned Judgment ignores the inherently contested nature of Respondent No. 1's own position and that no final settlement can be presumed merely on the basis of a statement of account reflecting a zero balance on a particular date.

25. Learned Senior Counsel for Respondent No. 1 submitted that, as per the documents placed on record in the Writ Petition *vide* index dated 20.01.2026, the possession notice dated 27.05.2023 issued under Section 13(4) of the SARFAESI Act reflected an outstanding amount of ₹31,68,49,616/- as on 15.07.2022. It was further submitted that the statement of loan account No. 814300IC00000299 for the period from 01.03.2023 to 31.12.2024, issued by the Bank, clearly reflected a zero balance, and that the statement of account No. 4904008700000633 for the period from 01.03.2023 to 13.01.2026 also reflected a zero balance.

26. Learned Senior Counsel for Respondent No. 1 further submitted that, in view of the documents placed on record before the learned Single Judge, the Impugned Judgment correctly recorded the admitted position reflected in

the statements of account showing a zero balance, and that the Bank's stand that an amount of ₹8.33 crores still remained outstanding could not be accepted. It was submitted that the justification advanced by the Bank that the zero balance was shown due to an inadvertent error as the withdrawal of the concessional rate had not been reflected in the statements of account, was misconceived, since the withdrawal of the concessional rate of interest had never been communicated to Respondent No. 1 prior to the filing of the counter affidavit in the Writ Petition, as correctly observed in the Impugned Judgment.

27. Accordingly, learned Senior Counsel for Respondent No. 1 submitted that the Impugned Judgment rightly allowed the Writ Petition and that the present Appeal deserves to be dismissed.

28. We have heard learned Counsel for the Appellant as well as learned Senior Counsel for Respondent No. 1.

29. The principal issues arising for our consideration in the present Appeal are: (i) whether the Bank was obligated to communicate withdrawal of the concessional rate of interest consequent upon the failure of Respondent No. 1 to comply with the OTR; and (ii) whether the purported inadvertent error in reflecting a zero balance in the statements of account precludes the Bank from claiming the outstanding amount, if any.

30. Although the statements of account of Respondent No. 1, produced *vide* index dated 20.01.2026 before the learned Single Judge in the Writ Petition, reflect a zero balance as per the Bank's own records, the Bank has sought to justify the same by contending that the zero balance was reflected

due to an inadvertent error in applying the contractual rate of interest, despite the failure of Respondent No. 1 to comply with the terms of the OTR. The Bank has further submitted that the inter-branch communication dated 01.04.2024 cannot be relied upon, as the same could not supersede the terms of the OTR and, if any amount remains outstanding, Respondent No. 1 is liable to pay the same.

31. The Bank has further submitted that it had an absolute right to withdraw the concessions granted under the OTR without assigning any reasons and that there was no requirement to communicate such withdrawal to Respondent No. 1.

32. As regards the zero balance reflected in the loan account as well as the bank account of Respondent No. 1, the statements mention the rate of interest as 8.5% per annum. As per the calculation sheet filed by the Bank along with the counter affidavit in the Writ Petition, the difference between the interest rate under the OTR and the contractual rate of interest is reflected as under:

“Summary as on 30.30.06.2024 (Amount in Crore)												
S.No.	*Account No.*	*Type*	*O/s NPA date*	*Interest rate as per OTR*			*Interest as per Sanction*			*Difference*		
				Normal Intt.	*Penal Intt.*	*Total*	*Normal Intt.*	*Penal Intt.*	*Total*	*Normal Int..*	*Penal Intt.*	*Total*
1	*490400870000006 30*	*Cash Credit*	*24.41*	*6.35*	*1.18*	*7.53*	*12.25*	*1.83*	*14.09*	*5.91*	*0.65*	*6.56*
2	*81430010000002 99*	*WCTL*	*7.93*	*1.66*	*0.00*	*1.66*	*3.01*	*0.39*	*3.40*	*1.35*	*0.39*	*1.74*
3	*81430010000003 05*	*FITL*	*0.58*	*0.03*	*0.00*	*0.03*	*0.06*	*0.01*	*0.06*	*0.03*	*0.01*	*0.03*
		Total	*32.92*	*8.04*	*1.18*	*9.22*	*15.32*	*2.23*	*17.55*	*7.28*	*1.05*	*8.33*

S.No.	Account No.	Type	O/s NPA date	Amt. to be paid by Borrower as per sanction	Amt. paid by Borrower as per OTR	Diff. Amt. yet to be paid
1	4904008700000630	Cash Credit	24.41	38.50	32.03	6.56
2	8143001000000299	WCTL	7.93	11.33	9.6	1.74
3	8143001000000305	FITL	0.58	0.64	0.61	0.03
		Total	32.92	50.47	42.24	8.33”

33. As per the aforesaid calculations, the differential amount stated to be payable by Respondent No. 1 is ₹8.33 crores, being the difference between the amount payable in terms of the Sanction Letter and the amount payable under the OTR. Accordingly, the issue that requires determination is whether Respondent No. 1 committed breach of the terms of the OTR and, if so, whether the withdrawal of the concession granted under the OTR was duly communicated by the Bank pursuant to such breach.

34. There is no dispute that Respondent No. 1 sought restructuring under the COVID-19 framework for revival of its business operations, which was approved by the Bank subject to certain terms and conditions. Under the OTR approved by the Bank, the cash credit limit of ₹24.41 crores was restored and restructured into a letter of credit limit of ₹24.41 crores. In addition, a Funded Interest Term Loan (“**FITL**”) of ₹0.58 crores and a Working Capital Term Loan (“**WCTL**”) of ₹7.93 crores were also granted to Respondent No. 1. The OTR further granted concessions in the rate of interest, whereby the rate of interest on the cash credit facility and the Working Capital Term Loan was reduced from 13.45% per annum to 8.5% per annum, whereas the rate of interest for the FITL was fixed at 9.5% per

annum. Repayment of the WCTL was to be completed in six quarterly instalments during the Financial Years 2022-2023. However, Respondent No. 1 failed to comply with the terms of the OTR, resulting in its accounts being classified as NPA in terms of the prudential norms and guidelines issued by the RBI.

35. Pursuant to classification of the accounts as NPA, the Bank initiated proceedings under the SARFAESI Act for recovery of its dues by issuing a recall notice dated 15.07.2022 under Section 13(2) of the SARFAESI Act and a possession notice dated 27.05.2023 under Section 13(4) thereof.

36. It is the case of the Bank that, upon failure of Respondent No. 1 to comply with the terms of the OTR, the concessional rate of interest stood automatically withdrawn and the standard rate of interest became applicable. The Bank has also contended that it is willing to issue a no-dues certificate and return the title deeds of the secured property once the entire outstanding amount is cleared by Respondent No. 1.

37. Respondent No. 1 has not disputed that its account was classified as NPA pursuant to non-compliance with the terms of the OTR. However, Respondent No. 1 has contended that the amount payable under the OTR had been fully paid, pursuant to which the statements of account maintained by the Bank reflected a zero balance. In various communications addressed by Respondent No. 1 to the Bank, Respondent No. 1 admitted that an amount of ₹1.25 crores remained outstanding, out of which ₹71,00,000/- was towards penal interest, waiver whereof was sought from the Bank. However, the Bank, *vide* letter dated 15.03.2024, communicated to

Respondent No. 1 that the request for waiver of penal interest had been placed before the competent authority of the Bank, which had not acceded to the request, and advised adjusting the account immediately. Pursuant to the said communication, Respondent No. 1, *vide* letter dated 20.03.2024, stated that it had no option but to pay the penal interest under protest to seek refund thereof in future.

38. The aforesaid facts demonstrate that the issue of penal interest arose on account of Respondent No. 1's failure to fully adhere to the terms of the OTR. As per Clause 13 of the 'Overall Terms and Conditions' of the Sanction Letter, the Bank had the right to withdraw or modify all or any of the sanctioned conditions, or to stipulate fresh conditions, under intimation to the borrower, and the borrower was required to convey acceptance of such stipulations. However, Clause 10 of the OTR stipulated that the Bank reserved the right to withdraw concessions without assigning any reason.

39. Accordingly, we are of the view that Clause 10 of the OTR would prevail over Clause 13 of 'Overall Terms and Conditions' of the Sanction Letter as OTR being a specific term for grant of restricting. Further, this is not the case of modification of the 'Overall Terms and Conditions', but in fact, enforcement of the same after withdrawal of the concession granted under the OTR. Since OTR does not stipulate any requirement to intimate regarding the withdrawal of the concessional rate of interest, we do not find any irregularity by the Bank in this regard. In any event, by declaring the accounts of Respondent No. 1 as NPA and issuing notices under the SARFAESI Act, the Bank had sufficiently communicated the failure of the OTR to Respondent No. 1. Hence, there was no additional requirement

under the terms of the OTR to separately communicate withdrawal of the concession in the rate of interest granted by the Bank under the OTR.

40. The OTR was approved on 16.08.2021 subject to strict compliance with its terms. Respondent No. 1 accepted the OTR unconditionally and without objection and was, therefore, bound by the terms thereof. Upon failure of Respondent No. 1 to adhere to the terms of the OTR, the account was classified as NPA on 02.07.2022. Thereafter, a demand / recall notice under Section 13(2) of the SARFAESI Act was issued on 15.07.2022 and a possession notice under Section 13(4) of the SARFAESI Act was also issued on 27.05.2023. These notices clearly indicated that the terms of the OTR were no longer applicable to the account of Respondent No. 1 and stood withdrawn. Accordingly, the original terms of the Sanction Letter stood revived upon classification of the account of Respondent No. 1 as NPA.

41. The Bank has explained that once the account was classified as NPA, it stopped recognising income on an accrual basis and the core banking system discontinued charging interest to the main account to avoid recognition of unrealised income. The interest charged prior to the account being classified as NPA, which remained to be collected, was reversed. However, the Bank continued to track the interest accruing on the loan for the purpose of calculating the total liability and recorded the same in a Memorandum Account / Interest Suspense Account. The account of Respondent No. 1 was, therefore, subjected to the post-NPA process, and reflection of a zero balance did not signify discharge of liability.

42. Further, the Bank has contended that the outstanding amount is substantial and cannot be waived or written off, as the same would be impermissible in law and contrary to the binding RBI norms. It was also submitted by the Bank that, being a nationalised bank, it is a trustee of public funds and is under a statutory and fiduciary obligation to recover all outstanding dues strictly in accordance with law, and that any waiver or loss would directly prejudice public interest.

43. We are of the considered view that the justification advanced by the Bank for showing an outstanding amount of ₹8.33 crores as on 01.07.2024, despite the account of Respondent No. 1 reflecting a zero balance, appears to be plausible. Since there is no dispute regarding non-compliance with the terms of the OTR, the outstanding dues arising pursuant to such failure are matters of fact and cannot be determined in writ proceedings. The Bank claims that an outstanding amount remains due and payable by Respondent No. 1 before a no-dues certificate can be issued, whereas Respondent No. 1 claims that the entire amount due and payable under the OTR has already been paid. Such issues cannot be decided summarily in writ proceedings, as they involve disputed questions of fact determination of which will require the Parties to adduce evidence. Further, the Bank cannot be compelled to waive or write off any amount, being a custodian of public funds, if such amount is genuinely due and payable. Accordingly, any direction to the Bank to issue a no-dues certificate can only be subject to payment of the entire outstanding dues by Respondent No. 1 in terms of the Sanction Letter.

44. The statement of account reflecting a zero balance cannot be treated as conclusive proof of discharge of liability, as the Bank has furnished a plausible explanation for such reflection despite its stand that an outstanding amount remains due and payable. Such explanation would require examination by a Court of competent jurisdiction upon evaluation of evidence to be adduced by both Parties with regard to the terms and conditions applicable in the facts and circumstances of the case. Therefore, a direction to issue a no-dues certificate, without determining the liability of Respondent No. 1 to pay the outstanding dues and by relying solely upon a document reflecting a zero balance, would cause grave prejudice to the Bank and would be contrary to public interest.

45. The letter dated 01.04.2024 sent by one branch of the Bank to another also cannot be treated as an admission of no-dues, as the said letter does not conclusively establish that no amount remained outstanding. The said letter merely records the position of Respondent No. 1 that it had deposited the amount. It further specifically provides that closure of the cash credit account and release of charge over the securities would be subject to the Bank's extant guidelines and only if the same was otherwise in order. This clearly indicates that the said letter was conditional upon compliance with the Bank's guidelines and upon the payment stated to have been made by Respondent No. 1 being found to be in order. Accordingly, the said letter cannot be construed as foreclosing the right of the Bank to recover the outstanding amount, if the same is otherwise due and payable.

46. Since writ proceedings are not the appropriate remedy for adjudication of disputes questions of fact regarding outstanding dues between the Parties, it would be appropriate to relegate the Parties to civil proceedings, where the respective rights and obligations of the Parties can be determined upon appreciation of the evidence on record.

47. In view of the aforesaid discussion, we set aside the Impugned Judgment and direct that the no-dues certificate shall be issued and the title deeds of the secured property shall be released by the Bank upon payment of the entire dues by Respondent No. 1 to be calculated by the Bank in terms of the Sanction Letter, applicable guidelines, and law on the date of such payment subject to the right of Respondent No. 1 to seek recovery of any excess amount paid in appropriate civil proceedings before a Court of competent jurisdiction, if so advised.

48. Accordingly, the present Appeal is allowed with the aforesaid observations. The pending Application stands disposed of. There shall be no order as to costs.

TEJAS KARIA, J

DEVENDRA KUMAR UPADHYAYA, CJ

AUGUST 18, 2026
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