HIGH COURT OF PUNJAB AND HARYANA AT CHANDIGARH

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CWP-16738-1999 (O&M)

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Ujagar Singh Saini (through LRs) ... Petitioner

VS.

State Bank of Patiala & Ors. ... Respondents

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1.	**Judgment reserved on**	**28.10.2025**
2.	**Judgment pronounced on**	**09.01.2026**
3.	**Judgment uploaded on**	**12.01.2026**
4.	**Whether operative or full judgment**	**Full**
5.	**Delay in pronouncement of full judgment and reasons, if any**	**NA**

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CORAM: HON'BLE MR.JUSTICE SANDEEP MOUDGIL

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Present: Mr. Inderjit Singh, Advocate for the petitioner

Mr. Anil K Ahuja, Advocate for the respondents

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Sandeep Moudgil, J.

Prayer

(1). The jurisdiction of this Court has been invoked under Article 226 of the Constitution of India, *inter alia*, for issuing a writ of certiorari for quashing the orders dated 04.10.1996 and 11.06.1997 (Annexures P10 & P11) vide which the pension and retiral benefits have been denied to the petitioner. A further prayer has been made for directing the respondents to release an amount of Rs.2,37,540/- deducted from the provident fund dues payable to the petitioner as mentioned in the letter dated 26.10.1998 (Annexure P6), besides other pensioner dues along with interest @ 18% p.a.

Contentions

On behalf of the petitioner

(2). Learned counsel for the petitioner contends that the deceased, namely, Ujagar Singh had unfortunately passed away during the pendency of

the present petition on 14.03.2017, leaving behind his wife, Smt.Amar Kaur and two sons, namely, Sushil Kumar and Ashwani Kumar as the legal heirs and thereafter, even one of his LRs, namely, Ashwani Kumar died on 24.12.2018 and now the matter is being pursued by the wife of Ashwani Kumar, namely, Mrs. Beenu who is daughter-in-law of the original petitioner, Ujagar Singh Saini as is evident from CM-6750-CWP-2019.

(3). It is submitted that petitioner, Ujagar Singh Saini (since deceased) after nearly twenty two years of service with the respondent Bank as Junior Management Officer Grade Scale-I, was removed from service vide order dated 15.07.1994 (Annexure P1) passed by the Chief General Manager on the ground of allegation of embezzlement and tampering with the Bank's record. It is further submitted that the disciplinary proceedings culminated in the penalty of "removal from service" under Regulation 67(g) of the State Bank of Patiala (Officers') Service Regulations, 1979 (in short, the 1979 Regulations), which is statutorily distinct from "dismissal", yet the Bank has, for pensionary purposes, unlawfully treated the petitioner as if he were a dismissed officer and invoked a rule that "no superannuation pension is admissible to dismissed officers", even though no penalty of dismissal was imposed on the petitioner.

(4). Learned counsel urged that the petitioner was informed that only about Rs.18,893/- of provident fund was payable, while a substantial sum of Rs.2,56,433/- stood in a sundry deposit account, the break-up of which included amounts deposited towards vehicle loan, house building loan, sums received from another branch, and old dues, was disclosed only after persistent demand and even then without a fair and timely settlement of his PF, gratuity and leave encashment.

(5). He then averred that the State Bank of Patiala (Employees') Pension Regulations, 1995 (in short, the 1995 Regulations) were notified for employees who were in service on or after 01.01.1986 and had retired on or after 01.11.1993 but before the notified date, subject to exercising an option. Initially, by letter dated 22.09.1994, the petitioner was informed he was not eligible to opt for pension, but subsequently, in view of a circular, his option was entertained and was advised to complete formalities vide letter dated 26.03.1995 (Annexure P-8); he submitted the required information by letter dated 06.05.1996 (Annexure P-9) and repeatedly requested release of pension. The Bank then stated that no superannuation pension is admissible to "dismissed officers"; the petitioner immediately replied on 25.10.1996 (Annexure P-11) that he was not "dismissed" but "removed" under Regulation 67(g) of the 1979 Regulations and, therefore, entitled to superannuation benefits and against such an action, the petitioner got served a legal notice dated 02.11.1996 but without any response.

(6). Mr. Inderjit Singh, Advocate for the petitioner vehemently contended that "removal from service" under Regulation 67(g) of the 1979 Regulations cannot be treated as synonymous with "dismissal" for denying pension in view of the fact that the petitioner had completed qualifying service and was allowed to opt under the 1993 Regulations and therefore, he is entitled to superannuatory benefits notwithstanding the penalty of removal. He submits that no amount towards gratuity has been paid whereas Regulation 49 of the 1979 Regulations makes an eligible officer entitled to gratuity while Regulation 12(2) of the State Bank of Patiala (Payment of Gratuity to Employees) Regulations, 1970 permits forfeiture only to the extent of financial loss where

termination by dismissal for misconduct after 01.01.1966 involves such loss. Contrarily, he submits that there is no specific finding of financial loss, no quantified assessment and no order directing forfeiture from gratuity, and none of the conditions in the Gratuity Regulations or in the Bank's own circular (Annexure P-2) on withholding/forfeiture of gratuity is satisfied.

On behalf of respondents

(7). On the other hand, written statement dated 15.01.2001 has been filed by Chief Manager, wherein it has been averred that a regular enquiry was held under the provisions of 1979 Regulations and as per the enquiry report, the charges of embezzlement to the tune of Rs.2,37,540/- and putting the bank's interest to jeopardy were duly proved and consequently, vide order dated 15.07.1994, the petitioner was ordered to be removed w.e.f. 20.07.1994 from service and the said order has since attained finality.

(8). It is maintained that the petitioner committed frauds/embezzlement of the sum of Rs.2,37,540/-and the said amount was to be recovered from him and after appropriating the aforesaid amount Rs.1,15,642/- deposited by the petitioner and of Rs.1,40,791/- being Provident Fund of the petitioner, an amount of Rs.18,893/- was paid to him on 12.05.1998. However on reconsideration, it has been the decided to refund the amount of petitioner's contribution alongwith interest after adjusting/deducting the amount of Rs.18,893/- already paid to him.

(9). Mr. Anil K Ahuja, Advocate for the respondents vehemently contended that the entire controversy has to be examined only through the lens of the State Bank of Patiala (Employees') Pension Regulations, 1995 (in short as 1995 Reg.) which forms the only set of pension regulations validly framed

under Section 63 of the SBI (Subsidiary Banks) Act, 1959 (in short as 1959 Act) and duly notified in the Official Gazette. He submits that 1995 Regulations were consciously given retrospective coverage for employees who were in service on or after 01.01.1986 and retired before 01.11.1993, and also for those who retired between 01.11.1993 and the date of notification, thereby occupying the entire field of pension entitlement for this period, leaving no room for any parallel or competing "regime" to operate.

(10). He further averred that the so-called 1993 Pension Regulations, as explained in the affidavit dated 29.09.2016 filed by the General Manager of the respondent-Banks coupled with the covering letter placed on record, were at all times a 'draft pension scheme' received from IBA, expressly circulated "*subject to completion of certain formalities including approval of the Board of Directors and amendment of the Service Regulations*" and were never approved or framed as Regulations under Section 63 of the 1959 Act or notified in the Official Gazette, and hence could not, in law, confer any statutory or vested right to pension in favour of any employee, including the petitioner.

(11). Learned counsel further asserted that the options called for or exercised under the 1993 draft scheme were inherently provisional, conditional and inchoate, being clearly subject to the final statutory framework that would ultimately be notified and once the 1995 Regulations came into force on 29.09.1995, with retrospective operation from 01.01.1986, they subsumed and governed all pension entitlements for the relevant period. He then submits that at best, the 1993 draft Scheme created an expectation, but the same was purely "subject to approval", and therefore, any expectation had to yield to, and be measured strictly in the terms of the notified Regulations of 1995.

Issues for Determination

(12). Having heard learned counsel for the parties, the following issues arise for determination by this Court:-

(i) Whether the respondent Bank can deny the petitioner pension and other retiral benefits on the ground that he was 'removed' from service under Regulation 67(g), despite his having completed qualifying service and exercised his option under the 1993 Regulations, particularly when the 1993 Regulations does not explicitly specify 'removal' as one of the contingencies for denial of such benefits?

(ii) Whether the respondent-Bank's action of forfeiting the petitioner's leave encashment is legally justified in absence of a specific enabling provision in Regulation 38 of the 1979 Service Regulations that permits such forfeiture in cases of 'removal'?

Issue No. 1:

(13). In view of the consistent stand taken by the respondents in their written statement as well as by its learned counsel, that the State Bank of Patiala Employees' (Pension) Regulations, 1993, as relied upon by the petitioner, were never notified in the Official Gazette and that only the 1995 Regulations framed under Section 63(2) of the SBI (Subsidiary Banks) Act, 1959 were enforceable, this Court vide order dated 16.09.2016 directed the respondents file an affidavit showing that the Regulations of 1993 were only a draft pension scheme and the same were never statutorily approved and enforced and that only Regulations of 1995 were legally framed and enforced.

(14). The respondents filed additional affidavit (in CM-12962-CWP-2016) dated 29.09.2016 of Shyam Kishore Agrawal, General Manager (Treasury) & Chief Financial Officer, State Bank of Patiala deposing that the

Regulations of 1993 were just a draft Pension Scheme/Regulations and its adoption by the Bank was only subject to completion of certain formalities and approval of Board of Directors and amendment to State Bank of Patiala Officer's Service Regulations-1979. The relevant averments made in the said affidavit read as under:-

> *"4. That State Bank of Patiala Employees (Pension) Regulations 1993 (in short Regulations of 1993) were only draft Regulations as received from the Indian Banks Association in pursuance to settlement to introduce pension as retiral benefit between the Indian Banks Association and the representatives of Award Staff and officers of Banks. Keeping in view the time limit within which the options were to be exercised by the serving /retired employees, these Regulations were circulated by the State Bank of Patiala subject to completion of the procedure mentioned above, for the information to all concerned. Thus it is submitted that the draft Regulations 1993 were not framed in exercise of powers conferred by sub section (1) and clause (O) of sub section (2) of section 63 of the State Bank of India (Subsidiary Banks) Act, 1959 in consultation with the Board of Directors of the State Bank of Patiala and with the approval of the Reserve Bank of India notified in the Official Gazette as required.*
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> *5. That Regulations of 1993 were just draft Pension Scheme/Regulations. The said fact is evident from the contents of the covering letter dated 24.05.1994 whereby the draft Scheme/Regulations of 1993 was circulated. A copy whereof is attached herewith as Annexure RR-1.*
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> *6. That in Para No.8 of covering letter of 1993 Pension Scheme/Draft Regulations reads as under:-*
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> > *"The adoption of the above scheme by the Bank is subject to completion of certain formalities including of the approval Board of Directors and amendment to State Bank of Patiala*

> *Officer's Service Regulations-1979. However, keeping in view the time limit within which the options are to be exercised by the serving/retired employees, we are circulating the scheme for the information of all concerned."*
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> *7. That the 1993 Pensions Scheme/Regulations were never approved under the State Bank of India (Subsidiary Banks) Act, 1959 and were never enforced and made applicable and only the Regulations of 1995 were legally framed, enforced, notified and made applicable as mentioned in the Bank's circular instructions circulated vide Circular dated 13.05.1996.…"*

(15). This issue has to be tested against the statutory framework and binding precedent. Concededly, the respondent-Bank introduced and acted upon the 1993 pension scheme by inviting options from the eligible employees including the petitioner as is clear from the letter dated 26.03.1996 (Annexure P8) and its reply dated 06.05.1996 requiring the petitioner to complete formalities under the then existant 1993 Regulations. The 1993 scheme may not have been formally notified as "Regulations", but the respondent's own conduct treated it as an operative pension option. Circulars were issued, options were invited, and the petitioner responded and altered his position accordingly.

(16). The 1995 Regulations, when later notified with retrospective coverage from 01.01.1986, did not ignore this history and instead, Forms A, C and D under the 1995 Regulations expressly referred to employees "who had/had not opted under the 1993 scheme earlier" which shows that the options earlier invited under the 1993 scheme were acknowledged under the new Regulations.

(17). Guidance may be drawn from "***Bank of Baroda v. S.K. Kool (Dead) through LRs, 2014 ALL SCR 785",*** wherein the Supreme Court faced a similar issue between a pension Regulation 22, providing that removal leads to forfeiture of past service vis-à-vis Bipartite Settlement Clause 6(b) which allowed "removal from service with superannuation benefits i.e. pension and/or provident fund and gratuity as would be due otherwise under the rules or regulations prevailing at the relevant time. The Supreme Court rejected the respondent's contention that Regulation 22 wiped out pension despite removal with superannuation benefits holding that in case of apparent conflict between the two provisions, they should be harmoniously interpreted so as to give effect to both. It also held that such of the employees who are otherwise entitled to superannuation benefits under the Pension Regulations if visited with the penalty of removal from service with superannuation benefits shall be entitled for those benefits and such of the employees though visited with the same penalty but are not eligible for superannuation benefits under the Regulation shall not be entitled to that. The relevant extracts of the judgment read as under:-

> *"14. The Regulation does not entitle every employee to pensionary benefits. Its application and eligibility is provided under Chapter II of the Regulation whereas Chapter IV deals with qualifying service. An employee who has rendered a minimum of ten years of service and fulfils other conditions only can qualify for pension in terms of Article 14 of the Regulation. Therefore, the expression "as would be due otherwise" would mean only such employees who are eligible and have put in minimum number of years of service to qualify for pension. However, such of the employees who are not eligible and have not put in required number of years of*

> *qualifying service shall not be entitled to the superannuation benefit though removed from service in terms of clause 6(b) of the Bipartite Settlement. Clause 6(b) came to be inserted as one of the punishments on account of the Bipartite Settlement. It provides for payment of superannuation benefits as would be due otherwise. The Bipartite Settlement tends to provide a punishment which gives superannuation benefits otherwise due. The construction canvassed by the employer shall give nothing to the employees in any event. Will it not be a fraud on Bipartite Settlement? Obviously it would be. From the conspectus of what we have observed we have no doubt that such of the employees who are otherwise eligible for superannuation benefit are removed from service in terms of clause 6(b) of the Bipartite Settlement shall be entitled to superannuation benefits. This is the only construction which would harmonise the two provisions. It is well settled rule of construction that in case of apparent conflict between the two provisions, they should be so interpreted that the effect is given to both. Hence, we are of the opinion that such of the employees who are otherwise entitled to superannuation benefits under the Regulation if visited with the penalty of removal from service with superannuation benefits shall be entitled for those benefits and such of the employees though visited with the same penalty but are not eligible for superannuation benefits under the Regulation shall not be entitled to that."*

(18). This reasoning has been reaffirmed and applied by the Supreme Court in "***UCO Bank & Anr. v. Vijay Kumar Handa, 2025 INSC 442"***, where an employee's punishment was modified from dismissal to removal with terminal/superannuation benefits. In that case, the bank denied pension by invoking a regulation barring pension to those "dismissed or removed". The Supreme Court again harmonised the pension regulations with the settlement and removal order, holding that an order of removal which specifically confers

superannuation benefits must be interpreted to include pension, unless expressly excluded.

(19). The 1995 Regulations, with retrospective coverage and embedded references to 1993 options, are the statutory analogue of the "rules/regulations prevailing at the relevant time" through which superannuation benefits "as would be due otherwise" must be worked out. On this structure, it becomes untenable for the Bank to say, on the one hand, that 1993 had no legal efficacy, while on the other hand using the forms appended with the 1995 Regulation to sort employees by whether they had "opted under the 1993 scheme earlier".

(20). The 1993 scheme and options are the functional equivalent of the Bipartite settlement/Clause 6(b) context discussed by the Supreme Court in ***S.K. Kool*** (*supra*) and ***Handa*** *(supra)* the Bank represented that pension would be available to those in service on or after 1.1.1986 who opted, and invited the petitioner to do so. Thus, it can be borne out that employee who completed qualifying service, and exercised option under the operative scheme, falls within the class of employees for whom the combination of the 1993 scheme and the 1995 Regulations "provides for superannuation benefits as would be due otherwise" and as such, denying him pension and other retiral benefits altogether would render the scheme "a fraud" on its own terms.

Issue No.2

(21). On the question of "removal" under Regulation 67(g) of the 1979 Regulation, the key point is that forfeiture provisions are to be construed strictly. In service jurisprudence, "removal" and "dismissal" are distinct penalties, and where the relevant Regulations confines forfeiture of pension to

"dismissal", no administrative gloss can extend that disability to cases of "removal" without an express provision to that effect.

(22). In the 1993 scheme, as pleaded, only "resignation, dismissal or termination" are stated to entail forfeiture of entire past service for pension and "removal" is not mentioned. Where the rule-making authority itself has deliberately specified certain contingencies, it would be not in the fitness of things for this Court to permit the respondents to add a new category by self-interpretation to impose a disqualification that the prevailing Regulation does not contain and allow the term "removal" to be used as a blunt instrument to defeat superannuatory dues promised under Clause 6(b) for otherwise eligible employees.

(23). The forfeiture of Gratuity even under Section 4(6) of the Payment of Gratuity Act, 1972, is subject to strict conditions, requiring specific grounds like riotous conduct, moral turpitude, or proved financial loss. Similarly, if a pension regulation/scheme prevalent at the relevant time, does not list "removal" as a disqualifying event, this Court cannot expand the scope to deny benefits, especially when the Bank's own schemes and regulations suggest otherwise, and the employee has accrued rights under the Regulation.

(24). Even assuming misconduct, Regulation 12(2) of the 1970 Regulations permits forfeiture only to the extent of financial loss and that too only in cases where the delinquent had been 'dismissed' form service. Apparently, the stand of the respondent is that the embezzlement of a quantified amount was proved and that recovery was effected by appropriating sums including the petitioner's provident fund and deposits, resulting in

payment of only a small balance, thereby demonstrating that the alleged financial loss stands substantially adjusted.

(25). The Madhya Pradesh High Court in ***Madanlal Gupta versus Madhyanchal Gramin Bank (W.P. No. 9930/2017, decided 17.11.2022***) dealt with the case, where the petitioner was removed from a bank's service and the employer withheld his earned leave encashment, relying on a regulation dealing with dismissal/removal. The High Court examined the relevant Regulation 67 and found that there was "absolutely no provision" in the Regulations under which the claim for leave encashment could be withheld on the ground that the employee had been penalised or removed. It held that in the absence of a specific enabling provision, leave encashment cannot be denied merely because of punishment and that such an interpretation by the employer, reading a forfeiture of leave encashment into a regulation that did not provide for it, was impermissible.

(26). Regulation 38 of the 1979 Service Regulations causes lapse of leave only on "resignation, retirement, death, discharge, dismissal or termination", and does not mention "removal" at all. There is thus no statutory provision authorising the Bank to treat removal as a ground for lapse of leave or forfeiture of leave encashment, for, the retiral dues like the leave encashment including pension and gratuity are "property" under Article 300A of the Constitution, and cannot be withheld on the strength of a mere circular/regulation when there is no statutory rule authorising such withholding.

Conclusion

(27). Accordingly, the writ petition is allowed and the orders dated 04.10.1996 and 11.06.1997 (Annexures P10 & P11) vide which the pension

and retiral benefits have been denied to the petitioner, stand quashed. The respondents are directed to quantify the proved loss, if any, by the petitioner, adjust the same and thereafter, release all the service/pensionary dues including pension and its arrears including as mentioned in the letter dated 26.10.1998 (Annexure P6), along with interest @ 9% p.a. to the legal heirs of the petitioner (since deceased), from the date it became due till its actual realization.

(28). The needful shall be done as early as possible but not later than 2 months from the date of receipt of certified copy of this order.

09.01.2026
V.Vishal

(Sandeep Moudgil)
Judge

*1. Whether speaking/reasoned? : **Yes/No***
2. Whether reportable? : Yes/No