IN THE HIGH COURT OF PUNJAB & HARYANA AT CHANDIGARH

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CWP-15511-2026
Date of decision :08.07.2026

M/S SURYA AGRO FOODS & ORS.

...PETITIONERS

VS.

RESERVE BANK OF INDIA & ANOTHER

... RESPONDENTS

CORAM:- HON'BLE MR. JUSTICE JASGURPREET SINGH PURI
HON'BLE MR. JUSTICE SANJIV BERRY

Present:- Ms. Sidhi Bansal, Advocate,
Ms. Ridhi Bansal, Advocate and
Mr. Abhav Sharma, Advocate for the petitioners.

Mr. Gaurav Goel, Advocate with
Mr. Rahul Aaryan, Advocate for respondent No.2.

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SANJIV BERRY, J.

1. By way of the instant writ petition preferred under Article 226 and 227 of the Constitution of India, petitioners have sought issuance of writ in the nature of certiorari or any other writ /direction for quashing of the impugned show cause notice dated 15.05.2025 (Annexure P-11) and order dated 18.02.2026 (Annexure P-14) alongwith all consequential proceedings arising therefrom, whereby the petitioners have been declared as fraud by the respondents.

2. In nutshell, the case putforth by the petitioner is that petitioner No.1, the borrower is an MSME firm initially constituted as a partnership firm comprising of Petitioner No.3 and one Sanjeev Kumar s/o Girdhari Lal for carrying on the business of rice sheller and dealing in food grains etc. As per clause 10 of the partnership deed dated 01.04.2013 (Annexure P-1) petitioner

No.3 was a dormant partner of the firm and it was explicitly stated in Clause 10 thereof that Sanjeev Kumar shall take active interest in looking after the affairs of the firm. Subsequently on 19.08.2019 petitioner No.3 retired from the firm and petitioner No.2 was inducted as partner, thereafter Sanjeev Kumar also retired from the firm and the partnership stood dissolved and consequently reconstituted as a sole proprietorship firm of petitioner No.2 w.e.f. 05.03.2020 and this fact was even brought to the notice of the respondent Bank. CWP No. 1999 of 2022 titled as '*Krishan Kumar vs. Reserve Bank of India an Anr.*' was also filed by him in his sole capacity as proprietor challenging the declaration of the account as fraud, which stood allowed on 27.05.2024.

3. As per averments, petitioner firm had availed credit facility in the shape of cash credit (CC) and term loan facility to the tune of ₹1,25,00,000/- and ₹95,00,000/- respectively from the respondent Bank on 23.06.2017. Later the cash credit facility was enhanced to ₹2,00,00,000/- and term loan facility was renewed for ₹80,93,000/- vide Annexure P-2 and P-3 respectively, which were secured by creation of equitable mortgage over 8 collateral properties. It is alleged that due to Covid-19 pandemic, the financial discipline of the firm got disturbed and ultimately the loan account was declared fraud. Hence the petition.

4. It is vehemently submitted by learned counsel for the petitioners that the impugned show cause notice dated 15.05.2025 issued to the petitioners was without the copies of any documents annexed thereto including the Forensic Audit Report, based on which the said show cause notice was issued and in this manner there is a clear breach of the instructions dated 15.07.2024 (Annexure P-12) circulated by the respondent No.1, Reserve Bank of India. She further submits that the Bank proceeded to classify the loan account of the petitioner as fraud by passing the order dated 18.02.2026 (Annexure P-14) without affording

opportunity of being heard to the petitioners and in utter violation of rule of *audi alteram partem*, hence prayed for setting aside of the same by way of acceptance of the writ petition. She had relied upon the decision of Hon'ble Supreme Court of India in ***State Bank of India and others vs. Rajesh Agarwal and others (2023) 6 SCC 1***.

5. On advance notice, Mr. Gaurav Goel has put in appearance on behalf of respondent No.2-Bank and on instructions received vide e-mail dated 27.05.2026 stated at bar that the copy of Forensic Audit Report was not supplied to the petitioners. This fact is duly recorded in order dated 29.05.2026 passed by this Court.

6. Further learned counsel for respondent No.2 has submitted that the Bank was not able to serve all the petitioners as there addresses were not available with it. Upon this, the petitioner was asked to supply the detailed particulars including address, phone numbers, e-mail etc. of the borrowers-guarantors.

7. In compliance thereto, the learned counsel for the petitioner has placed on record copy of e-mail dated 08.07.2026 intimating the detailed address and particulars etc. of the petitioners which are as under:-

	Name	Address	Mobile No.	Email id
Petitioner No.1	M/s Surya Agro Foods through its sole Proprietor Krishan Kumar	Shop cum House No.16, Grain Market, Near HDFC Bank, Nihal Singh Wala, Moga - 142055	9888352111	singlakrishan087 @gmail.com
Petitioner No.2	Krishan Kumar s/o Tarsem Lal	Shop cum House No.16, Grain Market, Near HDFC Bank, Nihal Singh Wala, Moga-142055	9888352111	singlakrishan087 @gmail.com
Petitioner No.3	Mohit Garg s/o Satish Kumar Garg	House No. 277, Ward No.17, Punjabi Mohalla Hanumangarh Town, VTC 19, HMH, Rajasthan-335512	9414092485	mohitgarg92485 @rediffmail.com

8. After hearing the arguments advanced by learned counsel for the parties, it transpires that the main contention of the petitioner had been that their

loan account had been declared fraud by the respondent Bank on the basis of show cause notice dated 15.05.2025 (Annexure P-11) by passing order dated 18.02.2026 (Annexure P-14) without even supplying them the requisite documents including the Forensic Audit Report and without affording them opportunity of being heard. This aspect could not be controverted by learned counsel appearing for the respondent-Bank. The petitioners have placed reliance on the decision of Hon'ble Supreme Court passed in ***Rajesh Agarwal's case (supra)*** besides relying upon the decision of Coordinate Bench passed in CWP-7318-2026 decided on 16.03.2026 titled as ***M/s Akshat Agro Foods and Ors vs. Reserve Bank of India and Anr.***

9. In ***Rajesh Agarwal's case (supra)*** Hon'ble Supreme Court has held that rule of *audi alteram partem* ought to be read in the instructions circulated by RBI. The lender bank should provide an opportunity to borrower by furnishing a copy of audit reports and allow borrower a reasonable opportunity to submit a representation before classifying the account as fraud. Hon'ble Supreme Court further observed that a reasoned order has to be issued on objections addressed by borrower and an opportunity of hearing has to be given to them before classifying his account as fraud.

10. Based on the decision of the Hon'ble Supreme Court in ***Rajesh Agarwal case (supra)*** Coordinate Bench of this Court had also decided CWP-7318-2026 on 16.03.2026 pertaining to the same issue and had set-aside the order declaring the said firm as fraud. This fact is not disputed by learned counsel for the respondent.

11. Applying the principles laid down by Hon'ble Supreme Court in ***Rajesh Agarwal's case (supra)*** it transpires that financial institutes are required to adhere the principles of natural justice and give an opportunity of being heard

before concluding any proceedings against the borrowers and in the light of the above dictum, in the present case, it is evident that the respondent Bank had neither supplied the incriminating material including the Forensic Audit Report to the petitioners nor afforded them opportunity of hearing before passing order dated 18.02.2026 (Annexure P-14). As a consequent, we find the impugned order dated 18.02.2026 (Annexure P-14) cannot be sustained in the eyes of law and deserves to be quashed.

12. Resultantly, in the light of the above discussion, order dated 18.02.2026 (Annexure P-14) is hereby quashed, however liberty is granted to the respondent Bank to proceed further in accordance with law by supplying copies of all relevant documents relied upon by the Bank in the Show Cause Notice dated 15.05.2025 (Annexure P-11) to the petitioners and also provide them opportunity of filing response as well as opportunity of hearing before passing an order in the matter, strictly keeping in view of the judgment of the Hon'ble Supreme Court in ***Rajesh Agarwal's case (supra)***. It is also made clear that till the time the proceedings are concluded the petitioners shall not de-activate the mobile numbers provided by them through their counsel as stated above.

13. Writ petition is disposed of.

(SANJIV BERRY)
JUDGE

(JASGURPREET SINGH PURI)
JUDGE

Dated: 08.07.2026
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i) Whether speaking/reasoned? Yes
ii) Whether reportable? Yes