



IN THE HIGH COURT OF JUDICATURE AT BOMBAY
ORDINARY ORIGINAL CIVIL JURISDICTION
WRIT PETITION (L) NO.26973 OF 2025

Naresh Jagdishrai Goyal

...Petitioner

Versus

Bank of India and Ors.

...Respondents

Mr. Sharan Jagtiani, Senior Counsel, Mr. Ameet Naik, Mr. Abhishek Kale, Mr. Tushar Hathiramani, Ms. Shraddha Achliya, Mr. Pranjali Agarwal, Mr. Harish Khedkar, Mr. Devashish Jagirdar and Mr. Ronit Doshi i/b. Naik Naik and Co. for the Petitioner.

Dr Abhinav Chandrachud, Mr. Rakesh Singh, Mr. Kedar Nayak and Mr. S. D. Shetty i/b. M.V. Kini and Co. for the Respondent No.1.

Ms. Huzan Bhumgara with Mr. Pradeep Mane and Ms. Shubhi Dotiya i/b. Desai and Diwanji for the Respondent No.2.

CORAM : R.I. CHAGLA AND
FARHAN P. DUBASH, JJ.

DATE : 25TH SEPTEMBER, 2025.

ORDER :

1. By this Writ Petition, the Petitioner has sought for quashing and setting aside of the Order passed by the Respondent No.1 as referred in Paragraph 2 of the impugned Show Cause Notice dated 1st July, 2025 declaring / classifying the subject account of the Petitioners as “fraud”, and from in any manner proceeding with the impugned Show Cause Notice and all consequent actions and

proceedings emanating therefrom as being illegal, arbitrary, contrary to the fundamental principles of natural justice, and being bad in law.

2. The Petitioner is aggrieved by his account being classified as “fraud” by the Respondent – Bank. The Petitioner has not been served with any order passed by the Respondent – Bank classifying his accounts as “fraud”. It is therefore evident that the earlier classification of the Petitioner’s account by the Respondent Bank as “fraud” is without any justification or reasons.

3. The impugned Show Cause Notice dated 1st July, 2025 has proceeded on the premise of re-examination by the Respondent Bank of the Petitioner’s account which had been earlier classified as “fraud”. The impugned Show Cause Notice appears on the face of it to be contrary to the law laid down by the Supreme Court in ***State Bank of India and Ors. Vs. Rajesh Agarwal and Ors.***¹. The Supreme Court has laid down that the classification of the borrower account as ‘fraud’ is preceded by the observation of the rule *audi alteram partem*, which is required to be read into clause 8.9.4 and 8.9.5 of the Master Directions on Frauds. This is in consonance with the

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principle of natural justice. The lender banks are to provide an opportunity to the borrower to explain the findings in the forensic audit report, and to a representation before the account is classified as fraud under the Master Directions on Frauds.

4. In the present case, there are two Show Cause Notices which have been issued. The first Show Cause Notice dated 30th December, 2024 had been issued without providing the Petitioner the report of the forensic audit conducted by the Bank. This was later provided by second impugned Show Cause Notice dated 1st July, 2025. However, as has been held by the Supreme Court in ***Rajesh Agarwal & Ors. (Supra)***, the Petitioner has not been granted an opportunity of a representation before the classification of the Petitioner's account as "fraud". The mere re-examination of the earlier classification of the Petitioner's account as fraud does not meet with the rule of *audi alteram partem* as per the law laid down by the Supreme Court in ***Rajesh Agarwal & Ors. (Supra)***.

5. The order classifying the Petitioner's account as "fraud" as in paragraph 2 of the impugned Show Cause Notice dated 1st July, 2025 is accordingly quashed and set aside.

6. The impugned Show Cause Notice dated 1st July, 2025 which seeks re-examination of the Petitioner's account which has been classified as "fraud" is set aside.

7. The Respondent No.1 – Bank is at liberty to issue a fresh Show Cause Notice. The Show Cause Notice shall be issued by the Committee of the Respondent No.1 – Bank other than Committee which had issued the impugned Show Cause Notice dated 1st July, 2025 and / or classified the account of the Petitioner as "fraud".

8. The Respondent No.1 – Bank shall comply with the principles of natural justice and the rule of *Audi Alteram Partem* in carrying out the exercise pursuant to the issuance of fresh Show Cause Notice in the event they so desire to carry out such an exercise for the purpose of determining whether the Petitioner's account to be classified as "fraud".

9. It is made clear that this Court has not expressed any opinion on the merits of the Writ Petition. All rights and contentions of the parties are kept open.

10. At this stage stage, Dr. Chandrachud has stated on instructions that the Respondent No.1 – Bank shall not act in furtherance of the earlier classification of the Petitioner’s account as “fraud” and / or the impugned Show Cause Notice dated 1st July, 2025. The statement is accepted.

11. Accordingly, the Respondent No.1 – Bank shall not take any action pursuant to the earlier classification of the Petitioner’s account as “fraud” and / or the impugned Show Cause Notice dated 1st July, 2025, which has been set aside by this Order.

12. The Writ Petition is accordingly disposed of in the above terms. There shall be no order as to costs.

[FARHAN P. DUBASH, J.]

[R.I. CHAGLA J.]