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

% ***Date of Decision: 3rd March, 2025***

+ W.P.(C) 12981/2024

PAWAN KUMAR GARG & ANR.Petitioners

Through: Mr. Manohar Malik, Advocate.

versus

PUNJAB NATIONAL BANKRespondent

Through: Dr. SS Hooda and Mr. Aditya Hooda,
Advocates.

+ W.P.(C) 12719/2024 & CM APPL. 53029/2024, CM APPL.801/2025

AKASH GUPTAPetitioners

Through: Mr. Janender Kumar Chumbak,
Advocate (through V.C.)

versus

PUNJAB NATIONAL BANKRespondent

Through: Dr. SS Hooda and Mr. Aditya Hooda,
Advocates.

CORAM:

HON'BLE MR. JUSTICE MANOJ JAIN

J U D G M E N T (oral)

W.P.(C) 12981/2024 & CM APPL. 12622/2025 (early hearing) & W.P.(C) 12719/2024

1. Learned counsel for the parties appear in both the abovesaid matters, and with the consent of learned counsel for the petitioners and learned counsel for respondent Bank, both the abovesaid matters, which were, otherwise, fixed up for hearing on 03.04.2025, have been taken up today itself.
2. Accordingly, the date of 03.04.2025 stands cancelled.



3. W.P.(C) 12981/2024 has been filed by Sh. Pawan Kumar Garg and Sh. Narendra Garg, who were Directors/Guarantors of M/s Apple Industries Limited.
4. As far as W.P.(C) 12719/2024 is concerned, the abovesaid writ petition has been filed by Mr. Akash Gupta, R/o B-1302, Mantri Elegance, NS Palya, Bannerghatta Road, Bangalore-560076. However, when the *Show Cause Notice* was issued by Punjab National Bank on 18.11.2023, his name has been reflected as 'Akash Garg' instead of 'Akash Gupta'.
5. Learned counsel for petitioners submits that there is some confusion with respect to his surname and submits that it was Mr. Akash Gupta, who was a non-shareholding Director in Apple Industries Limited and was also a guarantor with respect to the loan in question.
6. According to petitioners, some action has been taken by respondent Bank and their account(s) have been declared/classified as '*fraud*'. They also claim that such action is arbitrary and unconstitutional as, at no earlier point of time, any *Show Cause Notice* was issued to them.
7. Such contention has been refuted by respondent Bank.
8. Learned counsel for respondent Bank submits that the show cause notices were issued to all of them and since they did not respond to the abovesaid *Show Cause Notice*, the accounts were classified as '*fraud*'.
9. This Court is of the considered opinion that without going into the fact whether *Show Cause Notice* was actually sent or not, both the abovesaid writ petitions can be disposed of on a very short point.
10. The classification as *fraud* has been done by virtue of order dated 30.03.2024 and such order reads as under:-

“Madam /Sir,



In this regard, it- is informed that as no reply was received from you within prescribed timelines at ours in response to the subject 'Show Cause Notice', based on the findings of investigation (as applicable) conducted by our Bank and shared with you vide our above cited Show Cause Notice, we have perceived your account/s as fraud.

Accordingly, Bank has decided to classify your loan account as 'Fraud' for the following reasons:

i) Misappropriation and Criminal Breach of Trust

The Bank shall be taking further course of action to report the account/ your name to the Reserve Bank of India (RBI) as per the directions contained in the RBI Master Directions / Circulars issued time to time, in this regard.

Yours faithfully,

*Punjab National Bank
Branch/Office: Zonal Sastra Centre
Address: First Floor, 7, Bhikaji Cama Place,
New Delhi – 110066
Email: zs8343@pnb.co.in
Contact No.011-447229459”*

11. Evidently, the Bank has classified the loan account as '*fraud*' merely on the premise that no reply had been received.

12. While dealing with one another writ petition W.P.(C) 5413/2024 of group concern i.e. *Apple Commodities Limited vs. PNB*, in a similar circumstance, such order of classification of the loan account as *fraud* was set aside while observing that reasons have to be specified by the Bank and the account could not have been classified as *fraud* merely for the reason that the *Show Cause Notice* had not been responded to.

13. Para 3 to 10 of said order dated 20.01.2025 reads as under:-

“3. Quite obviously, the bank does not seem to have given any “independent and specific reason” as to why it has taken the above said decision to classify the loan account as 'fraud'. Of course, findings of the investigation conducted by the bank were



made part of the Show Cause Notice and the bank while declaring the account as 'fraud', most probably, would have swayed away by the same, fact remains that the order in question does not make it amply specific and clear.

4. The order has to be a reasoned and categoric one.

5. Reasons need to be specified and not to be inferred.

6. Whenever any decision is made by any administrative body or financial institution, it is imperative that such decision contains the reasoning. Such requirement is not a mere procedural formality; it rather stems from the fundamental need to prevent arbitrariness and to ensure accountability. Thus, for the sake of clarity, fairness and transparency, every decision, particularly those affecting vital rights and interests, must be supported by adequate reasoning that demonstrates the application of sound judgment, in line with recognized legal standards.

7. This Court is also cognizant of the specific directions contained in State Bank of India and Others vs. Rajesh Agarwal and Others: 2023 SCC OnLine SC 352 wherein also it has been held that any such order has to be a reasoned one.

8. In the present case, the expression used in the impugned order lacks clarity. It is crucial to emphasize that the order in question expressly records that when the show cause notice was issued, the bank had perceived the account/s as fraud. However, at the time of final consideration, there should have been some discussion, elaboration and substantiation. The lack of which clearly demonstrates that the order fails to provide adequate reasoning for the classification of the account of petitioner as fraud.

9. In view of the above, the impugned order cannot be said to be sustainable.

10. The impugned order is, accordingly, set aside."

14. Since the situation in the present case is similar, the abovesaid order dated 30.03.2024 is also, accordingly, set aside.

15. Needless to say, the respondent Bank would be at liberty to issue a fresh *Show Cause Notice* with all supporting documents to the abovesaid petitioners and would be at liberty to take appropriate decision afresh, after



considering reply, if any, sent by the petitioners.

16. Since learned counsel for respondent/Bank apprehends that there is not enough of clarity with respect to the contact details of all such petitioners, this Court asked learned counsel for petitioners to supply the present and correct contact details of all such petitioners and during course of arguments, following details have been given:-

S.No.	Name	Address	Mobile No.	E-mail ID
1	Pawan Kumar Garg	8-2-120/110/1/2 Banjara Hill Road No.14, Nandi Nagar, Hyderabad-500 034 Telangana – India	9000010062	office@applegroup.co.in
2	Mr. Narendra Garg	35 Central Drive, DLF Farma, Chhatarpur Farms Mehrauli, South Delhi-10030	9811060192	info@applegroup.co.in
3	Mr. Akash Gupta	B-1302, Mantri Elegance, NS Palya, Bannerghatta Road, Bangalore-5600 76	9000010063	akashgupta747@yahoo.co.in

17. The respondent Bank is, accordingly, at liberty to take further steps and to send fresh *Show Cause Notices* as per the abovesaid contact details, extracted in the order.

18. It is clarified that this Court has not given any observation with respect to the merits of the case and, therefore, the respondent Bank shall not feel prejudiced, in any manner whatsoever, with respect to any of the observation



2025:DHC:1452



appearing in the present order.

19. Both the petitions along with pending applications are disposed of accordingly.

(MANOJ JAIN)
JUDGE

MARCH 3, 2025
st/pb