



MAJESTY LEGAL

Advocates & Solicitors

***MORE THAN 25 % AMOUNT CANNOT BE FORFEITED MADE BY AUCTION PURCHASER
– KARNATAKA HIGH COURT***

(SRI. KALYANAMURTHY. K. VS STATE BANK OF INDIA)¹

Hon'ble Karnataka High Court in a notable judgment held that the banks are strictly restricted from confiscating more than 25% of the deposit placed by an auction buyer who fails to deposit the remaining payment within the specified period.

The Hon'ble Court while considering the law laid down by the Hon'ble SC in judgment referred (supra) and Rule 9 of the Security Interest (Enforcement) Rules, 2002, allowed the writ petition in part directed to refund to the petitioner.

HELD BY HON'BLE KARNATAKA HIGH COURT:

- The Hon'ble Karnataka High Court ordered the State Bank of India to refund a sum of Rs.10,00,000/- along with applicable interest from the date of payment till refund, expeditiously not later than eight weeks.
- It also held that as the rules provide for extent of benefit to the auction purchases and discretion of the secured creditor, forfeiture by the respondent cannot be said to be in violation of Rule 9 of the Rules or as arbitrary. The power of forfeiture under sub-rule (5) of Rule 9 of the Rules is statutorily conferred. Hence, there is no scope for judicial review.
- Consequently, the Court partially allowed the plea, recognizing only 25% as a deposit and not the amount exceeding this limit, thereby granting relief to the petitioner.

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¹ WRIT PETITION No.23327/2022(GM-RES)

² Majesty legal is a LAW FIRM established in 2013 by Ms. Mahi Yadav. Objective of this legal update is to provide insights on law, statutes and is personal in nature, not to be deemed as legal advice.
