

**IN THE SUPREME COURT OF INDIA  
CIVIL APPELLATE JURISDICTION**

**Civil Appeal No. \_\_\_\_\_ of 2024**  
(Arising out of SLP (C) No.7965 of 2023)

**THE AUTHORISED OFFICER KARNATAKA BANK**

**APPELLANT(S)**

**VERSUS**

**M/S RMS GRANITES (P) LTD. & ORS.**

**RESPONDENTS**

**O R D E R**

1. Leave granted.
2. This appeal arises from the order passed by the High Court of Karnataka dated 19<sup>th</sup> January 2023 in Review Petition No. 521 of 2022 preferred by the original petitioners i.e. respondents herein by which the High Court disposed of the Review Petition holding as under:-

“This petition has been filed seeking review of the judgment dated 28.10.2021 passed by this Court in W.P.No.1583/2017 by which the writ petition preferred by the petitioner has been dismissed.

2. Learned counsel for the petitioner, while inviting the attention of this Court to affidavits of both the Directors of petitioner No.1- Company, submitted that they undertake to withdraw the challenge to the sale which has already been conducted by respondent No. 1. It is therefore, submitted that excess amount which has been released by the Bank by sale of property of petitioner amounting to Rs.1,11,90,354.32p. which is admittedly lying in deposit with the respondent-Bank be refunded to the petitioner.

3. Learned counsel for the respondent - Bank has opposed the submission made by the learned counsel for the petitioner.

4. We have considered the submissions made on both sides

and have perused the record. Taking into account the fact that the entire amount of dues has been recovered by the respondent No.1 - Bank from the petitioner and an amount of Rs.1,11,90,354.32p. is lying in deposit with the respondent No.1-Bank, we see no justification as to why the amount should be illegally retained by the respondent No.1-Bank without any authority. The respondent No.1-Bank is therefore directed to refund the amount of Rs.1,11,90,354.32p. along with applicable interest w.e.f. 20.09.2010 within a period of one week.

Accordingly, the review petition is disposed of.”

3. Thus, it appears that the respondents herein were the original borrowers. As they defaulted in the repayment of the loan amount, proceedings were instituted under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 by the appellant bank.
4. The property upon which charge was created, was put to auction. On the date of the auction, the amount due and payable by the original borrowers was to the tune of Rs.1,11,90,354.32 paisa (Rupees One crore eleven lakhs ninety thousand three hundred fifty four and thirty two paise only). In the auction proceedings the bank was able to fetch an amount of Rs. Two crore and Seventeen lakh.
5. It appears that the legality and validity of the auction proceedings was challenged before the Debt Recovery Tribunal (for short ‘DRT’). DRT rejected the challenge. The matter went in appeal before the Debts Recovery Appellate Tribunal (for short “DRAT”). The DRAT directed the original borrowers to make a pre-deposit of a particular amount. The amount was not deposited.
6. In such circumstances, the borrowers went before the High Court by filing a Writ Petition. The Writ Petition also came to be rejected.
7. Later, a review application came to be filed by the borrowers before the High Court which led to the passing by the impugned order.

8. We take notice of the fact that the High Court while disposing of the review application directed the bank that the excess amount of Rs.1,11,90,354.32 paise (Rupees One crore eleven lakhs ninety thousand three hundred fifty four and thirty two paise only) with applicable interest with effect from 20<sup>th</sup> September 2010 be refunded to the respondents herein within a period of one week.
9. The appellant bank being aggrieved with the impugned order passed by the High Court is here before this Court with the present appeal.
10. We enquired with the learned counsel appearing for the appellant bank whether the amount of Rs.1,11,90,354.32 paise (Rupees One crore eleven lakhs ninety thousand three hundred fifty four and thirty two paise only), as directed by the High Court, has been refunded to the original borrowers or not?
11. In reply to the aforesaid, our attention was drawn to annexure P-19 which is a letter dated 24<sup>th</sup> February 2023 addressed by the bank to the borrower company which reads thus:-

"Karnataka Bank Ltd.  
OVERSEAS BRANCH  
Branch : Bangaluru-Overseas  
Manandi Plaza, # 3, St. Mark's Road, Bangalore -560 001  
Dist : Bengaluru Urban, Kamataka  
Phone : 080-22955884/885/886  
Email : bir.osb@ktkbank.com  
Website : www.kamatakabank.com  
CIN : L85 110KA1924PLC001128

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GF OR:929:2022-23

February 24,2023

M/s. RMS Granites Private Limited.  
No.20, 7th Main Road, Escort Colony  
Attur Layout, Yelahanka  
Bengaluru-560064.

Dear Sir,

**Sub : Your Letter dated 13.02.2023 submitted to our**

**branch.**

With reference to the your above letter, at the very outset we would like to inform you that you have misinterpreted the order dated 19.01.2023 passed by the Hon'ble High Court of Karnataka at Bengaluru in RP No.521/2022. In the said order there is no reference of any Fixed Deposit amount or Fixed Deposit Interest. However in your letter dated 13.02.2023 you have clearly misrepresented the fact.

Now, in pursuant to the order dated 19.01.2023 passed by the Hon'ble High Court of Karnataka at Bengaluru in RP No.521/2022, we are enclosing herewith Demand Draft No. 123634 dated 24.02.2023 amounting to Rs.1,11,90,354/32 (Rupees One Crore Eleven Lakh Ninety Thousand Three Hundred Fifty Four and Paise Thirty Two only) being the excess auction amount. Kindly acknowledge the receipt of the same.

Further, with regard to the interest component, the issue is being challenged by the Bank before the Supreme Court of India.

Yours faithfully,  
sd/-  
Krishna Prasad KJ  
Chief Manager”

12. Thus, it appears that the amount of Rs.1,11,90,354.32 paise (Rupees One crore eleven lakhs ninety thousand three hundred fifty four and thirty two paise only) was refunded way back as on 24<sup>th</sup> February, 2023 and the same has been acknowledged by the respondent-borrowers.
13. Now the only issue that remains is whether the respondent-borrowers are entitled to interest on the said amount or not, as directed by the High Court.
14. The learned counsel appearing for the bank submitted that the bank had no intention to retain the excess amount and would have paid the said amount at the earliest to the original borrowers but as there were certain proceedings pending and some interim orders were also operating passed by the DRT, the bank was not able to refund the excess amount to the borrowers.

15. On the other hand, Mr. Balaji, the learned counsel appearing for the borrowers submitted that the appellant has utilised this amount for a period of almost 14 years and therefore his clients are entitled to at least some interest. He submitted that if not from 20<sup>th</sup> September 2010 as directed by the High Court, then at least from 28.10.2021 i.e., the date on which the Single Judge rejected the writ petition.

### **CONCEPT OF AWARDING INTEREST ON DELAYED PAYMENT**

16. It may be mentioned that there is misconception about interest. Interest is not a penalty or punishment at all, but it is the normal accretion on capital. For example if A had to pay B a certain amount, say ten years ago, but he offers that amount to him today, then he has pocketed the interest on the principal amount. Had A paid that amount to B ten years ago, B would have invested that amount somewhere and earned interest thereon, but instead of that A has kept that amount with himself and earned interest on it for this period. Hence equity demands that A should not only pay back the principal amount but also the interest thereon to B. [See: **Alok Shanker Pandey v. Union of India : AIR 2007 SC 1198.**]
17. Having heard the learned counsel appearing for parties and having gone through the materials on record, we are of the view that the High Court in exercise of its Review jurisdiction ought not to have directed that the excess amount be refunded with applicable interest w.e.f. 20<sup>th</sup> September, 2010.
18. Appropriate orders as regards refund of the excess amount with applicable interest could have been passed by the High Court even while rejecting the writ application.

19. Without getting into any further controversy, we pass the following order:-

The appellant-bank shall pay interest to the respondents on the amount of Rs.1,11,90,354.32 paise @ 9% p.a. from the date when the writ application came to be rejected by the High Court on 28.10.2021. The interest amount shall be calculated accordingly and paid to the respondents within a period of four weeks from today.

20. With the aforesaid, the appeal is disposed of.

21. Pending application(s), if any, stand disposed of.

.....J.  
[J.B. PARDIWALA]

.....J.  
[PANKAJ MITHAL]

New Delhi;  
12<sup>th</sup> November, 2024.

S U P R E M E C O U R T O F I N D I A  
RECORD OF PROCEEDINGS

Petition for Special Leave to Appeal (C) No. 7965/2023

[Arising out of impugned final judgment and order dated 19-01-2023 in RP No. 521/2022 passed by the High Court of Karnataka at Bengaluru]

THE AUTHORISED OFFICER KARNATAKA BANK  
VERSUS

Petitioner(s)

M/S RMS GRANITES (P) LTD. & ORS.

Respondent(s)

(IA No. 222952/2024 - APPLICATION FOR PERMISSION, IA No. 79132/2023 - EXEMPTION FROM FILING C/C OF THE IMPUGNED JUDGMENT, No. 79131/2023 - PERMISSION TO FILE ADDITIONAL DOCUMENTS/FACTS/ANNEXURES)

Date : 12-11-2024 The matter was called on for hearing today.

CORAM : HON'BLE MR. JUSTICE J.B. PARDIWALA  
HON'BLE MR. JUSTICE PANKAJ MITHAL

For Petitioner(s) Mr. Anoop Prakash Awasthi, AOR

For Respondent(s) Mr. Balaji Srinivasan, AOR  
Mr. Aditya Nath, Adv.

UPON hearing the counsel the Court made the following  
O R D E R

Leave granted.

The appeal is disposed of in terms of the Signed order.

Pending application(s), if any, stand disposed of.

(CHANDRESH)  
COURT MASTER (SH)

(POOJA SHARMA)  
COURT MASTER (NSH)

(Signed order is placed on the file)