

Case Name:- Chandrakant v. Joint Registrar of Coop. Societies

Citation:- 2024 SCC OnLine Kar 21740

Link:- <http://www.sconline.com/DocumentLink/cilOwXaV>

Judgement:- <https://share.google/m55ObsRR9qvtLK1C4>

Summary and Conclusion:-

The background of the case Chandrakant v. Joint Registrar of Co-operative Societies (2024) involves a dispute over a loan that the petitioner claims was sanctioned without his knowledge and then manipulated by the bank to cover older debts.

The Original Debt and New Loan

The petitioner, Chandrakant, was a member of a Co-operative Bank and had four existing loans (for a vehicle and cash credits) dating back to 1999 and 2000. These loans had become overdue.

According to the petitioner:

He needed further financing but knew he couldn't get it because of his defaults.

The bank manager allegedly approached him and insisted he sign a new loan application for Rs. 8,00,000, promising to get it sanctioned quickly.

The manager reportedly took "interest" for this sanction in the amount of Rs. 5,00,000 upfront.

Discovery of the "Sanctioned" Loan

The petitioner claimed he was unaware a loan had actually been processed until he received a summons for a recovery case. He discovered that:-

A loan of Rs. 5,00,000 had been sanctioned in his name on January 11, 2002.

However, the money was never directly credited to his account for his use.

Suspicious Transactions

Upon examining the account extracts, the petitioner found several irregularities in how the bank handled the Rs. 5,00,000:-

Debt Adjustment: The bank used part of the money to "square off" his old, stale loan accounts without his specific authorization.

Third-Party Transfer: A significant sum of Rs. 2,39,895 was transferred to the account of a person named Mr. S.G. Gachinkatti without the petitioner's permission.

Suspense Account: Rs. 50,000 was moved into a "suspense account" for unknown reasons.

Cash Release: Only two small cash payments (Rs. 11,000 total) were purportedly released to him in May 2002.

Legal Progression

The bank initiated arbitration under Section 70 of the Karnataka Co-operative Societies Act, 1959.

Initial Ruling: The Arbitrator (Respondent No. 1) ruled against the petitioner, ordering him to pay Rs. 9,28,153 (the principal plus 16% interest).

First Appeal: The petitioner challenged this at the Karnataka Appellate Tribunal, but the Tribunal upheld the bank's side, assuming that because the petitioner signed the loan application, he was liable for the full amount.

This led the petitioner to file the Writ Petition in the High Court, arguing that he shouldn't be held liable for money the bank diverted to third parties or kept in suspense accounts without his consent.

This case, Chandrakant v. Joint Registrar of Co-Operative Societies & Others (2024 SCC OnLine Kar 21740), concludes with the High Court of Karnataka allowing the Writ Petition and setting aside the previous orders that had held the petitioner liable for a loan of Rs. 9,28,153/-.

The court found that the lower authorities had essentially made an assumption of liability without investigating the suspicious handling of the loan funds by the bank.

Summary of the Court's Order:

Previous Orders Quashed: The court set aside the order passed by the Joint Registrar of Co-Operative Societies (Respondent No. 1) and the subsequent order by the Karnataka Appellate Tribunal.

Case Remitted: The matter has been sent back (remitted) to Respondent No. 1 for a fresh, detailed consideration.

Specific Investigation Required: The Joint Registrar is now directed to specifically investigate:

Whether the transfer of Rs. 2,39,895/- to a third party (Mr. S.G. Gachinkatti) was actually authorized by the petitioner.

Why a sum of Rs. 50,000/- was kept in a "suspense account" instead of being disbursed.

Timeline: Respondent No. 1 is required to decide the dispute within six months from the date of receipt of the court's order.

The Court's Reasoning:

The Judge noted that while a bank has a "general lien" over a customer's account, it is not entitled to move money around to third parties or "suspense accounts" without clear authorization or documentation. The court held that the petitioner should only be held accountable for the money he actually received and encashed, not for transactions the bank conducted on its own without proof of his consent.

Case Name:- Chandrashekar v. Additional Registrar of Coop. Societies

Citation:- 2025 SCC OnLine Kar 9823

Link:- <http://www.scconline.com/DocumentLink/iASubV9e>

Judgement:- <https://share.google/N2SsW2vZjtBHCILW3>

Summary and Conclusion:-

The background of Chandrashekar and Another v. Additional Registrar of Co-Operative Societies (2025) centers on a procedural dispute following a co-operative society election.

Here are the key events that led to the High Court petition:-

The Disputed Election Order

The conflict began when Respondent No. 1 (the Additional Registrar) issued an order on February 24, 2025. This order:-

Set aside the election of the first petitioner (Chandrashekar).

Directed the Returning Officer to treat certain votes that had been cast in pen as valid and to recount the results based on those votes.

The Appeal to the Tribunal (KAT)

The petitioners challenged this order by filing an appeal (Appeal No. 74/2025) before the Karnataka Appellate Tribunal (KAT). Along with the appeal, they filed an application for a stay (Interim Application - IA No. 1) to prevent the recount and the declaration of new results while the case was being decided.

The Rejection of the Stay

On March 5, 2025, the Tribunal rejected the petitioners' request for a stay. This meant that the Returning Officer was technically free to proceed with the recount and declare a different winner according to the Additional Registrar's original order.

The High Court Intervention

Faced with the possibility of the election results being declared before their appeal could even be heard on its merits, the petitioners approached the High Court. They sought to quash both:-

The original order of the Additional Registrar (regarding the "pen votes").

The Tribunal's refusal to grant a stay.

The petitioners argued that if the results were declared immediately, it would cause "irreparable injury" and render their pending appeal at the Tribunal useless. This led the High Court to step in and freeze the results until the Tribunal could conduct an expedited review.

The case Chandrashekar and Another v. Additional Registrar of Co-Operative Societies and Others (2025 SCC OnLine Kar 9823) concludes with the High Court of Karnataka partially allowing the Writ Petition.

The Court chose not to decide on the final merits of the election dispute itself, as that matter was already pending before the Karnataka Appellate Tribunal (KAT). Instead, the Court focused on ensuring a fast and fair resolution through the Tribunal.

Summary of the Court's Order:

Expedited Hearing: The Karnataka Appellate Tribunal is directed to dispose of the main appeal (Appeal No. 74/2025) as quickly as possible, preferably within 30 days from the date of receiving the order.

Restraint on Results: Respondent No. 2 (the Returning Officer) remains restrained from declaring the results of the election. The declaration is now subject to the final outcome of the appeal pending before the Tribunal.

Custody of Ballots: The Returning Officer was directed to place the sealed cover containing the election results before the Karnataka Appellate Tribunal.

The Court's Reasoning:

The Court noted that since the main issue regarding the validity of the election (specifically the counting of votes cast in pen) was already before the KAT, it would be improper for the High Court to decide on the merits at this stage. By extending the interim restraint and ordering a 30-day deadline, the Court sought to maintain the status quo while forcing a swift legal conclusion.