

**Case Name:-** C. Keshavamurthy v. Joint Registrar of Co-operative Societies

**Citation:-**2018 SCC OnLine Kar 1138

**Link:-** <http://www.sconline.com/DocumentLink/19q60GCG>

**Judgement:-** <https://share.google/vFEmSnARvrh3LISSq>

### **Summary and Conclusion:-**

The background of this case involves a dispute over a loan default and the subsequent recovery proceedings initiated by a co-operative bank.

#### **1. The Loan Agreement**

In February 2006, the first petitioner (C. Keshavamurthy) borrowed a loan of ₹54,00,000 from the Malleswaram Co-operative Bank Limited. The loan was secured by:

The mortgage of his property.

Personal guarantees provided by his brothers (petitioners 2 and 3).

An agreed interest rate of 11% per annum, with an additional 2% penal interest in case of default.

#### **2. Default and Initial Legal Action**

The borrower committed a default in repayment. Consequently, the Bank initiated recovery proceedings under Section 70 of the Karnataka Co-operative Societies Act, 1959.

In June 2009, the Joint Registrar of Co-operative Societies issued an award directing the petitioners to pay ₹46,73,667 (the balance as of late 2008) plus litigation costs and ongoing interest.

The order also authorized the Bank to attach and sell the mortgaged property if the payment was not made.

#### **3. Appeals and Disputes**

The petitioners challenged the Joint Registrar's order before the Karnataka Appellate Tribunal, arguing they had suffered business losses and needed more time.

**The Tribunal's Decision:** In October 2013, the Tribunal dismissed the appeal because the petitioners had already admitted to borrowing the money and failed to provide evidence justifying their inability to pay.

**One-Time Settlement (OTS):** During the pendency of the appeal, the petitioners sought the benefit of an OTS scheme. However, the Bank declined, stating the scheme was not applicable to them.

#### **4. Execution and Writ Petition**

Following the Tribunal's dismissal, the Bank initiated execution proceedings to auction the mortgaged property in February 2014. The petitioners then approached the High Court of Karnataka via Writ Petitions (Articles 226 and 227) to quash the recovery orders.

During the High Court proceedings, the petitioners deposited ₹30,00,000 as a show of good faith under an interim court order, leading to the final hearing where the Court sought to balance the Bank's recovery rights with the petitioners' request for interest relief.

The conclusion of the case (C. Keshavamurthy v. Joint Registrar of Co-operative Societies, 2018 SCC OnLine Kar 1138) is centered on an equitable settlement regarding the repayment of a loan default.

**The High Court of Karnataka disposed of the Writ Petitions with the following directions:-**

### **1. Waiver of Penal Interest**

The Court noted that since the petitioners (the borrowers and guarantors) did not dispute the borrowing of the loan or their liability to repay it, it was appropriate to grant some relief. The Court directed the Malleswaram Co-operative Bank Limited to waive the penal interest levied at 2%.

### **2. Recalculation of Dues**

**The Bank was directed to:-**

Furnish a fresh Statement of Account to the petitioners within four weeks.

Charge interest at the rate of 11% per annum only (the original agreed rate), excluding the penal interest.

### **3. Timeline for Repayment**

The petitioners were granted a period of three months from the date they received the recalculated statement to pay the entire outstanding principal and interest.

The Court provided this window to allow the petitioners a fair opportunity to clear the debt and save their property from auction.

### **4. Consequences of Non-Compliance**

**The Court made it clear that if the petitioners fail to pay the entire amount within the stipulated three-month period:-**

The Bank is at liberty to recover the full amount as per the original award dated June 19, 2009.

The Bank can proceed with the execution (sale of the mortgaged properties) to recover its dues.

Summary: The Court essentially provided a "middle path" it allowed the borrowers extra time and a waiver of penal interest to settle their debts, while preserving the Bank's right to auction the property if the payment is not made within the new three-month deadline.

**Case Name:-** C.R. Padmanabhareddy v. Additional Registrar of Co-operative Societies

**Citation:-** 2014 SCC OnLine Kar 5834

**Link:-** <http://www.sconline.com/DocumentLink/rzHD9s3J>

**Judgement:-** <https://share.google/iaC8ewqBHUPKPZ8VE>

### **Summary and Conclusion:-**

The background of the case C.R. Padmanabhareddy v. Additional Registrar of Co-operative Societies (Writ Petition No. 12521 of 2014) involves a legal challenge related to an inquiry and subsequent orders passed by co-operative authorities concerning the NGEF Employees and Ex-Employees House Building Co-operative Society Ltd.

### **Based on the judicial records and related proceedings, here is the factual background:-**

#### **1. The Core Dispute: Inquiry into Society Affairs**

The matter originated from an inquiry conducted under Section 64 of the Karnataka Co-operative Societies Act, 1959. This section empowers the Registrar to investigate the constitution, working, and financial condition of a society.

A report was initially filed by the Joint Registrar, which seemingly cleared or closed certain allegations against the society's management.

This closure was challenged by other parties (likely aggrieved members or directors), leading to proceedings before the Additional Registrar of Co-operative Societies.

#### **2. The Impugned Order**

In March 2014, the Additional Registrar passed an order setting aside the closure of the inquiry. The authority observed that if multiple offences were found to have been committed by members or directors of the NGEF Society, fresh proceedings should be initiated rather than closing the matter based on earlier findings or the quashing of specific FIRs.

#### **3. The Petitioner's Role**

C.R. Padmanabhareddy, who served as the Ex-Secretary of the NGEF House Building Co-operative Society, filed this Writ Petition to challenge those adverse findings. His primary contention (along with other petitioners in related cases like WP 18658/2014) was that:-

The Additional Registrar's order to reopen or continue proceedings would affect his interests.

There were already existing orders from the Karnataka Appellate Tribunal that treated certain Joint Registrar findings as mere "show-cause notices," allowing the petitioners to file objections.

#### **4. Procedural Conclusion**

While the background involves complex allegations of mismanagement or irregularities within the housing society, the specific petition you shared (W.P. No. 12521/2014) did not reach a judgment on these facts. As noted in the conclusion, the petitioner's counsel requested to withdraw the petition, and it was dismissed accordingly without the Court deciding on the validity of the inquiry or the Additional Registrar's orders.

**Note: Because this specific petition was withdrawn, the merits of the allegations against Mr. Padmanabhareddy or the society were not detailed in this particular order. Related**

**litigation involving the same society suggests ongoing disputes regarding site allotments and seniority lists during that period.**

The conclusion of this case (C.R. Padmanabhareddy v. Additional Registrar of Co-operative Societies and Others, 2014 SCC OnLine Kar 5834) is a straightforward procedural dismissal.

### **The Ruling**

The High Court of Karnataka dismissed the Writ Petition as withdrawn.

### **Key Details of the Order:-**

**Submission by Counsel:** The learned counsel appearing for the petitioner (C.R. Padmanabhareddy) submitted to the Court that the petition should be dismissed as withdrawn.

**Court's Action:** The Court officially recorded this submission and passed the order dismissing the petition accordingly.

In legal terms, this means the Court did not rule on the merits of the case (the actual dispute involving the Co-operative Society). Instead, the petitioner chose to stop pursuing the legal remedy through this specific Writ Petition, effectively ending the proceedings in this instance.