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**IN THE HIGH COURT OF PUNJAB AND HARYANA AT
CHANDIGARH**

CWP-32457-2024 (O&M)

Date of Decision : 22.05.2026

M/S AASRA FOUNDATIONS AND ANR Petitioners

VERSUS

CANARA BANK Respondent

**CORAM: HON'BLE MRS. JUSTICE ALKA SARIN
HON'BLE MR. JUSTICE RAMESH CHANDER DIMRI**

Present : Mr. Amit Jhanji, Senior Advocate with
Mr. Rohit Suri, Advocate, Mr. Samarth Suri, Advocate,
Mr. Udai Yashvir Singh, Advocate and
Mr. Shashank Shekhar, Advocate for the petitioners.

Mr. Rakshit Gupta, Advocate for
Mr. Rakesh Gupta, Advocate for the respondent.

ALKA SARIN, J. (ORAL)

1. The petitioners have filed the present writ petition *inter alia* challenging the show cause notice dated 11.06.2024 (Annexure P-25) and the order dated 07.11.2024 (Annexure P-27) passed by the respondent whereby the account of the petitioners has been declared as fraud.

2. Learned senior counsel appearing on behalf of the petitioners has contended that the show cause notice dated 11.06.2024 (Annexure P-25) and the order dated 07.11.2024 (Annexure P-27) are both based on the forensic audit report which was never supplied to the petitioners. It is further the contention of the learned senior counsel that in the order dated 07.11.2024 (Annexure P-27) only the excerpt of the forensic audit report has been

reproduced and the complete report has not been appended. Learned senior counsel has further contended that the copy of the complete forensic audit report was never supplied to the petitioners which was in breach of the instructions dated 15.07.2024 (Annexure P-30) circulated by the Reserve Bank of India. In support of his contentions, learned senior counsel has relied upon the judgment passed by the Supreme Court in the case of **State Bank of India Versus Amit Iron Private Limited & Ors. [2026 SCC OnLine SC 538]**.

3. *Per contra*, learned counsel appearing on behalf of the respondent has contended that the complete forensic audit report was not given as third party rights were involved. Learned counsel, however, has candidly admitted that the said fact does not find mentioned either in the show cause notice dated 11.06.2024 (Annexure P-25) or the order dated 07.11.2024 (Annexure P-27).

4. We have heard the learned counsel for the parties.

5. The Supreme Court in the case of **State Bank of India** (supra) has held as under :

'121. The Show Cause Notice and reply as well as the procedure contemplated in Para 2.1, which is a reiteration of what was held in Rajesh Agarwal (supra), are with regard to proceedings that have civil consequences for the borrower. It may be a trigger for initiation of criminal proceedings but as far as the right to reputation as well as impacting Article 19(1)(g) rights, the matter stood

concluded with Rajesh Agarwal (supra). In view of the same, following the holding in T. Takano (supra), we hold that the borrower has a right to be disclosed of the material relevant to the proceeding against him including disclosure of the audit report.

122. The right to disclosure is not absolute if the disclosure of any part affects third party interest. In the opinion of the bank, the bank should communicate that the disclosure of such part would affect third party rights. Thereafter the borrower will have an opportunity to respond that the information is necessary to represent effectively.

123. If, thereafter, some portion of the forensic audit report or other material are found to impinge upon third-party rights in the opinion of the bank, the bank can withhold disclosure of those parts of the report.

124. We hold that the supply of the Forensic Audit Report is the rule. The exceptions are what have been set out hereinabove. Unlike in the case of T. Takano (supra) which dealt with the securities market, instances will be rare where; in the forensic audit reports of banks where the borrower is associated at the stage of making the report, any claim for privilege of any part of the report

may arise. However, in the exceptional cases that they do arise, the above procedure should be followed.

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127. In view of what we have held hereinabove,

i) Civil Appeal @ SLP (C) Nos. 20618-20619 of 2025 is partly allowed. While we set aside that part of the order of the Division Bench in F.M.A. 1201 of 2024 dated 12.03.2025 which upheld the learned Single Judge's order directing grant of personal hearing to the respondent-herein, we uphold the order of the Division Bench insofar as it held that the respondent-herein was entitled the copies of the forensic audit reports. Consequently, the Fraud Identification Committee of the appellant-Bank shall furnish the forensic audit reports and after granting an opportunity to the respondent to file its reply proceed in accordance with the Master Directions of the RBI, and pass fresh orders depending on the conclusion they arrive at.

ii) Insofar as Civil Appeal @ Special Leave Petition Diary No. 55628 of 2025 is concerned, the appeal is partly allowed. While the direction of the learned Single Judge as confirmed by the Division Bench in LPA 472 of 2025 dated 29.07.2025 to grant a personal hearing to the respondent is set aside, the directions insofar as they

mandate the furnishing of the forensic audit reports are upheld. Consequently, the appellant-Banks shall furnish the forensic audit reports and after granting an opportunity to file a representation proceed in accordance with the Master Directions of the RBI, and pass fresh orders depending on the conclusion they arrive at.'

As held by the Supreme Court in the judgment of **State Bank of India** (supra), in case any part of the forensic audit report affects third party rights in the opinion of the bank, the bank is to communicate that the disclosure of such part would affect third party rights.

6. In the present case, as candidly admitted by the learned counsel for the respondent, the said fact was never stated either in the show cause notice dated 11.06.2024 (Annexure P-25) or in the order dated 07.11.2024 (Annexure P-27). In the absence of having stated so, it was incumbent on the respondent to have supplied the complete copy of the forensic audit report to the petitioners.

7. In view of the above and without commenting on the merits of the case, the present writ petition is allowed to the extent that the impugned order dated 07.11.2024 (Annexure P-27) is set aside. However, liberty is granted to the respondent to proceed further in the matter in accordance with law. The respondent shall supply copies of all the documents relied upon by it in the show cause notice dated 11.06.2024 (Annexure P-25) to the petitioners so as to provide them an opportunity of filing their response.

8. Pending applications, if any, also stand disposed off.

(ALKA SARIN)
JUDGE

(RAMESH CHANDER DIMRI)
JUDGE

22.05.2026

Aman Jain

NOTE: Whether speaking/non-speaking: Speaking
Whether reportable: Yes/No