
IN THE HIGH COURT OF JUDICATURE AT BOMBAY
ORDINARY ORIGINAL CIVIL JURISDICTION
WRIT PETITION NO. 2969 OF 2025

1. Kishore Biyani
Malabar Hill, Mumbai

2. Mr. Rakesh G. Biyani
Mahalaxmi, Mumbai

.. Petitioners

Versus

Bank of India
Specialised Asset Recovery Management Branch,
Mumbai & Anr

.. Respondents

Mr. Gaurav Joshi, Senior Advocate (through VC), with Mr. Ankit Lohia, Petrushka Dasgupta, Krishna Baruah, Altamash Qureshi, Kewal Buddhen i/b Link Legal, Advocates for the Petitioner.

Mr. Mustafa Doctor, Senior Advocate, with Spenta Kapadia, Ricky Sampat, Surekha Yadav i/b M. V. Kini Law Firm, Advocates for Respondent No.1 Bank of India.

Ms. Huzan Bhumgara with Riddhi Badhekar i/b Desai and Diwani, Advocates for Respondent No.2.

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**CORAM: B. P. COLABAWALLA &
FIRDOSH P. POONIWALLA, JJ.**

DATE: JULY 3, 2026

P. C.

1. Rule. Respondents waive service. With the consent of the parties,
Rule made returnable forthwith and heard finally.

2. The above Writ Petition is filed seeking an appropriate writ, order or direction declaring any and all acts emanating from the impugned order (Exhibit-O to the Petition), the impugned Show Cause Notice (Exhibit-E to the Petition), the Forensic Audit Report dated 7th August 2024(Exhibit-I to the Petition) and consequent thereto, declaring/classifying the account of Petitioner No.1 as “fraud” in terms of the 2024 Fraud Master Directions as being illegal, null and void. A further relief is sought to restrain Respondent No.1 from in any manner proceeding with the impugned order dated 21st June 2025 (Exhibit-O to the Petition) and all consequent action and proceedings emanating therefrom.

3. Mr. Joshi, the learned Senior Counsel appearing on behalf of the Petitioners, raised several grounds to challenge the impugned order passed by the 1st Respondent Bank *inter alia* classifying the account of a company called as “*Future Lifestyle Fashions Limited*” (for short “**FLFL**”) as “fraud”, and consequently, also classifying the Petitioners as “fraud”, who were, as Mr. Joshi claims, “Non Executive Directors of the FLFL”. It is undisputed that the Petitioners were the Promoters of the FLFL. The grounds of the challenge are:-

- (a) the impugned order passed by the 1st Respondent Bank classifying the Petitioners as “fraud” is completely unreasoned. According to Mr. Joshi, as per the *Master Directions on Fraud Risk Management in Commercial Banks (including Regional Rural Banks) and All India Financial Institutions* dated 15th July 2024 (for short “**Fraud Master Circular of 2024**”), and more particularly Clause 2.1.1.4 thereof, the 1st Respondent Bank is mandated to pass an order giving reasons classifying the accounts of any party as “fraud”. According to Mr. Joshi, when one peruses the impugned order, it merely reproduces the Forensic Audit Report (“**FAR**”), and that too incorrectly, and thereafter merely reaches the conclusion that the account of FLFL and consequently the Petitioners is declared as “fraud”. He submitted that by no stretch of the imagination can one term the impugned order passed by the 1st Respondent Bank as reasoned. Mr. Joshi thereafter submitted that this is more-so when one takes into consideration that a detailed reply to the Show Cause Notice, as well as the allegations in the FAR, was given by the Managing Director of FLFL (Noticee No.4) vide his letter dated 7th February 2025, and which can be found at Exhibit-N to the Petition. There is absolutely no consideration of this reply in the impugned order;
- (b) the FAR, and which is the sole basis on which the impugned order is based, is inconclusive. In this regard, Mr. Joshi submitted that if one peruses the FAR, the Auditors infact have stated in many cases that further investigation is required. Further, in fact, there is now an Addendum to the FAR [at the

behest of the Bank of Baroda] which completely exonerates the Petitioners with respect to related party transactions, and which is one of the allegations for classifying the Petitioners as “fraud”. Mr. Joshi submitted that in the event the FAR is inconclusive, under the Fraud Master Circular of 2024, and more particularly Clause 4.1.2 thereof, the bank has to then conduct its own internal investigation/assessment before classifying the account of the Petitioners as “fraud”. In the present case, atleast on a reading of the impugned order, it does not appear that the bank has carried out any internal investigation / assessment for the purposes of classifying the accounts of FLFL and consequently the Petitioners, as “fraud”.

- (c) The documents sought by the Petitioners were not provided as is reflected in several letters written by the Petitioners to the 1st Respondent Bank.
- (d) the impugned order refers to a second Show Cause Notice that was never served upon the Petitioners.

For all these reasons, Mr. Joshi submitted that the impugned order cannot stand and has to go.

4. On the other hand, Mr. Doctor, the learned Senior Counsel appearing on behalf of the 1st Respondent Bank, submitted that the Petitioners cannot piggyback on the reply or response filed by the Managing

Director of FLFL when the Petitioners have never either given their own detail reply to the Show Cause Notice or even sought to inform the 1st Respondent Bank that they are incorporating or adopting the reply filed by the Managing Director. Mr. Doctor further submitted that it is incorrect on the part of the Petitioners to contend that the impugned order is unreasoned. According to Mr. Doctor, though the reasons may not be to the liking of the Petitioners, one can hardly argue that the order is without reasons. According to Mr. Doctor, the reasons can be found in the Forensic Audit Report itself. There is no requirement to once again repeat those reasons. As far as the documents sought to be provided, and the FAR being inconclusive is concerned, Mr. Doctor submitted that when one reads the FAR holistically, it is clear that the Forensic Audit Report has come to a conclusion that the accounts of the Petitioners ought to be declared as “fraud”. For all these reasons, Mr. Doctor submitted that there was no merit in the above Petition and the same ought to be dismissed.

5. We have heard the learned counsel for the parties at length. We have also perused the papers and proceedings in the above Writ Petition. After hearing the respective counsels, we are clearly of the view that dehors any other arguments canvassed by Mr. Joshi, the above Writ Petition ought to be allowed on the ground that the Fraud Master Circular of 2024 mandates

the 1st Respondent Bank to issue a reasoned order, and which is absent in the present case. Chapter II of the Fraud Master Circular of 2024 deals with the Governance Structure in Banks for Fraud Risk Management. Clause 2.1.1.4 clearly stipulates that a reasoned order shall be served on the Persons / Entities conveying the decision of the bank regarding declaration / classification of the account as fraud or otherwise. For the sake of convenience, Clause 2.1.1.4 is reproduced hereunder and reads thus:-

“2.1.1.4 A reasoned Order shall be served on the Persons/Entities conveying the decision of the bank regarding declaration/classification of the account as fraud or otherwise. Such Order(s) must contain relevant facts/circumstances relied upon, the submission made against the SCN and the reasons for classification as fraud or otherwise.”

6. As can be seen from this Clause, as per the Master Fraud Circular of 2024, Banks are mandated to give reasons for the order classifying or declaring an account as “fraud”.

7. As far as the present case is concerned, the impugned order can be found at pages 271 to 277 of the paper book. This order is addressed not only to FLFL but also to the two Petitioners herein, namely, Kishore Biyani and Rakesh Biyani as well as the Managing Director of FLFL – Vishnuprasad Mokkapatty. In paragraph 1 of the impugned order, the background of the

case is set out and paragraph 2 sets out the loans that were availed of by FLFL and for which Petitioner No.1 was a Guarantor. Paragraph 3 of the impugned order sets out when the account was declared as “NPA” and paragraph 4 sets that after the account was declared as NPA, the bank has conducted a Forensic Audit through M/s. Parekh Shah and Lodha. Paragraph 5 (pages 273 to 276) merely reproduces what the FAR states. Paragraph 6 thereafter sets out the correspondence between the parties, including the Show Cause Notice and the replies given thereto, and paragraphs 7 and 8 set out the conclusions that the account of the company (FLFL) as well as the other Noticees [namely the Petitioners and Mr. Vishnuprasad Mokkapatty (Managing Director)], are classified as “Fraud”. When one peruses the impugned order passed by the 1st Respondent Bank, it is clear that it is bereft of any reasons as to why the accounts of the company as well as that of the Petitioners are classified as “fraud”. This is more-so when one takes into consideration that the Managing Director of FLFL had given a detailed response to the Show Cause Notice issued, and which finds absolutely no consideration in the impugned order. It makes little difference that the Petitioners herein have not formally informed the bank that they are adopting what is stated by the Managing Director in his reply. Once these are the facts before us, we are clearly of the view that the impugned order cannot

be sustained as it is wholly unreasoned and contrary to the mandate of the Fraud Master Circular of 2024, and more particularly Clause 2.1.1.4 thereof.

8. Accordingly, and in view of the aforesaid discussion, the above Writ Petition succeeds and the impugned order dated 21st June 2025 is hereby quashed and set aside. Since we have set aside the impugned order only on the ground that it is unreasoned, we have not examined other challenges raised by the Petitioners and can be agitated by them in an appropriate case, if the occasion so arises. Now that the impugned order is set aside, the 1st Respondent Bank shall ensure that the name of the Petitioners is not reflected as “Fraud” in the Central Fraud Registry maintained by the Reserve Bank of India.

9. If the 1st Respondent Bank desires to restart these proceedings, they can do so from the stage of the Show Cause Notice or even by issuing a fresh Show Cause Notice, if they so desire.

10. It is needless to state that if these proceedings are once again commenced by the 1st Respondent Bank, they shall strictly comply with the conditions set out in the Fraud Master Circular of 2024.

11. Rule is accordingly made absolute and the Writ Petition is also disposed of in terms thereof. However, there shall be no order as to costs.

12. This order will be digitally signed by the Private Secretary/ Personal Assistant of this Court. All concerned will act on production by fax or email of a digitally signed copy of this order.

[FIRDOSH P. POONIWALLA, J.]

[B. P. COLABAWALLA, J.]