IN THE HIGH COURT OF JUDICATURE AT BOMBAY
ORDINARY ORIGINAL CIVIL JURISDICTION

WRIT PETITION NO. 1385 OF 2026

Jayesh V. Valia .. Petitioner

Versus

Canara Bank & Ors. .. Respondents

Mr. Birendra Saraf, Senior Advocate a/w Adv. Rupesh Geete, Adv. Aman Saraf, Adv. Priya Dangat i/b Satyaki Law Associates *for the Petitioner.*
Adv. Mahesh H. Chandanshiv *for the Respondents.*

CORAM: B. P. COLABAWALLA & SOMASEKHAR SUNDARESAN, JJ.
DATE: JULY 31, 2026

P. C.

1. The above Writ Petition is filed seeking to quash and set aside the Order dated 25th February, 2026 passed by the Respondent Bank (through Respondent No.3) declaring the Petitioner's account as fraud under 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 '**the Master Fraud Circular of 2024**'). The short

ground of challenge in the above Writ Petition is that the Show Cause Notice issued to the Petitioner dated 22nd November, 2024 (and received by the Petitioner on 2nd December, 2024) refers to an Investigation Report. A copy of the said Investigation Report was sought by the Petitioner vide its letter dated 19th December, 2024 alongwith all other relevant documents. The Report was finally supplied to the Petitioner by the Respondent Bank vide its letter dated 14th July, 2025. This Investigation Report is highly redacted as can be seen from the copy annexed to the Writ Petition. The Investigation Report can be found from pages 110 to 149 of the paper book. However, huge parts of this Investigation Report are redacted. Further, one must note that this Investigation Report is dated 5th August, 2015.

2. Be that as it may, the Petitioner once again addressed a letter to the Respondent Bank dated 8th July, 2025 asking for a full copy of the Investigation Report. In reply to the aforesaid letter, the Bank, vide its letter dated 23rd September, 2025, stated that portions of the Report were redacted as they contained internal observations and confidential information pertaining to the Bank's internal processes and decision making, and such internal deliberations cannot be disclosed/shared with third parties.

Mansi Shelke / Darshan P.

3. Thereafter, the Respondent Bank passed the Impugned Order dated 25th February, 2026 classifying the account of the Petitioner as fraud. What is interesting to note is that now for the first time, in the Impugned Order, the Respondent Bank refers to a Forensic Audit Report dated 28th June, 2015. As noted earlier, the Investigation Report is dated 5th August, 2015. Hence, atleast from a reading of the Impugned Order, there appears to be not only an Investigation Report which is referred to at page 156 of the paper book, but also a Forensic Audit Report referred to at page 155. Admittedly, the Forensic Audit Report has not been furnished to the Petitioner. On this ground alone, we are of the view that the Impugned Order deserves to be quashed and set aside as the same is in the teeth of the Judgements of the Hon'ble Supreme Court in the case of ***State Bank of India and Ors. Vs. Rajesh Agrawal and Ors. (2023 6 SCC 1)*** and in the case of ***State Bank of India Vs. Amit Iron Pvt. Ltd. and Ors. (2026 SCC Online SC 538)***. Infact, we find that even the Investigation Report supplied to the Petitioner is highly redacted and therefore incomplete. We are of the view that the reasons given for redacting portions of the Report, as mentioned in the letter dated 23rd September, 2025 and in the Affidavit in Reply filed today, are wholly unsustainable and contrary to the observations of the Hon'ble Supreme Court in ***Amit Iron Pvt. Ltd. (supra)***. Paragraphs 121 to 124 of this decision are relevant in this regard and read thus :

> *"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. <u>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.</u> However, in the exceptional cases that they do arise, the above procedure should be followed."*
>
> *(emphasis supplied)*

4. As can be seen from this decision, the supply of the Forensic Audit Report is the rule, and the exceptions are what have been set out in the Judgement, and unlike in the case of ***T. Takano (supra)*** which dealt with the securities market, instances would be rare where, in Forensic Audit

Reports of Banks, any claim for privilege may arise. To put it in a nutshell, it is only in very rare and limited cases, redactions may be justified, namely, which affect or impinge third party rights. The reasons given for the redaction in the present case are not of such a nature as set out in the letter dated 23rd September, 2025. Hence, even on this ground, namely non-supply of a complete copy of the Investigation Report, the Impugned Order cannot be sustained and has to be set aside. For all the aforesaid reasons, the Petition succeeds and the Impugned Order dated 25th February, 2026 is hereby quashed and set aside.

5. The Bank is at liberty to reinitiate proceedings against the Petitioner if it so chooses, by issuing a fresh Show Cause Notice and thereafter supplying all the relevant material, including a complete copy of the documents sought to be relied upon in the said Show Cause Notice. From the record we find that the Bank had given an opportunity of a personal hearing to the Petitioner as recorded in the Impugned Order itself. Since this opportunity was accorded by the Bank to the Petitioner, in the peculiar facts of the present case, we direct that the Bank shall give a personal hearing to the Petitioner before passing a fresh Order as contemplated in the Master Fraud Circular of 2024.

6. We may hasten to add that we have not examined the merits of the matter as to whether the Petitioner be declared a fraud or otherwise, and that is something entirely left for the Bank to ascertain after supplying the necessary documents to the Petitioner and hearing the Petitioner in that regard.

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

8. 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.

[SOMASEKHAR SUNDARESAN, J.] **[B. P. COLABAWALLA, J.]**

Mansi Shelke / Darshan P.