



\$~120

* **IN THE HIGH COURT OF DELHI AT NEW DELHI**

Date of Decision: 06.10.2026

CNR No. DLHC010414082026

+ **W.P.(C) 12806/2026 & CM APPL. 59373/2026**

M/S S.S. ENTERPRISES

.....Petitioner

Through: Mr. T. Singhdev, Sr. Adv with Mr.
Ritaj Kacker Adv, Mr. Abhijit Chakravarty, Adv

versus

UCO BANK & ORS.

.....Respondents

Through: Mr Brijesh K Tamber, Ms Chanchala
Kumari, Mr Vinay Singh Bist, Advs. for R1-3
Mr. Abhishek Baid, Mr. Mohit Kumar Bafna, Mr.
Praneet Das and Mr. Ravinder Kumar, Advs. for
R4

**CORAM:
HON'BLE MR. JUSTICE JASMEET SINGH**

: **JASMEET SINGH, J (ORAL)**

1. This is a writ petition filed under Article 226 of the Constitution of India seeking the following prayers:-



“a) Issue an appropriate writ, order or direction in the nature of Mandamus declaring the provisions of UCO Bank Circular No. HO/OSD-TMV/KYC&AML Cell/02/2026-27 dated 02.04.2026, titled "Master Circular – Threshold Limit in Customer Account", insofar as they provide for real-time ADC blocking and/or Finacle/over-the-counter debit restriction merely upon breach of an internally fixed threshold limit, as illegal, arbitrary, without authority of law, ultra vires the Reserve Bank of India (Commercial Banks – Know Your Customer) Directions, 2025 and violative of Articles 14 and 19(1)(g) of the Constitution of India;

b) In the alternative to Prayer (a), issue an appropriate writ, order or direction in the nature of Certiorari quashing and setting aside the provisions of UCO Bank Circular No. HO/OSD-TMV/KYC&AML Cell/02/2026-27 dated 02.04.2026, titled "Master Circular – Threshold Limit in Customer Account", insofar as they provide for real-time ADC blocking and/or Finacle/over-the-counter debit restriction merely upon breach of an internally fixed threshold limit;

c) Issue an appropriate writ, order or direction in the nature of Mandamus directing Respondent Nos. 1 to 3 to forthwith remove the freeze/debit freeze/restriction placed upon Current Account No. 01530210003671 maintained in the name of M/s S.S. Enterprises with UCO Bank, Punjabi Bagh Branch, New Delhi, and permit the Petitioner to freely operate the said account. ...”



2. The brief facts of the case are that the petitioner maintains a Current Account bearing No. 01530210003671 with the respondent No. 1-3 i.e., UCO Bank, which was transferred on written request dated 10.06.2026 by the petitioner from Defence Colony Branch to the Punjabi Bagh Branch of the respondent No. 1-3 Bank.
3. The petitioner in continuation of its usual business activities entered into an agreement dated 24.06.2026 with the respondent No. 5 i.e., M/s Teja Engineering Industries Ltd. and pursuant to this agreement received a credit of Rs. 3,71,20,000/- on 08.07.2026.
4. Thereafter, the petitioner instructed the respondent No. 1-3 Bank for an RTGS transfer, however, the same was not done and the respondent No. 1-3 Bank orally informed the petitioner that some KYC formalities are pending.
5. Acting on the said communication, the petitioner completed the biometric e-KYC with the Bank on 10.07.2026.
6. On 13.07.2026, the respondent No. 5 cancelled the commercial arrangement with the petitioner due to non-processing of the transaction and demanded a refund of the said amount.
7. However on 14.07.2026, the respondent No. 1-3 Bank informed the petitioner that the account of the petitioner has been transferred from Defence Colony Branch to the Punjabi Bagh Branch and certain documents were sought from the previous branch and the account has been frozen due to non-completion of KYC requirements. Thus, no transaction was permitted.
8. A representative of the petitioner visited the branch of the Bank where it earlier maintained its account and he was informed that the new branch



(respondent No. 2 i.e., Punjabi Bagh Branch) has not made any request for transfer of records. Thus, no fault was attributable to the petitioner and there was inter se dispute between to branches of the same Banking entity namely, UCO Bank.

9. Aggrieved by the same, the petitioner made numerous representations but to no avail.

10. Pursuant thereto, the petitioner filed a writ petition bearing W.P.(C) No. 10810/2026 seeking defreezing of its bank account, which was disposed of vide Order dated 18.08.2026 wherein the operative part reads as under:-

“7. At this stage, without going into the facts whether the respondent can freeze the account of the petitioner for exceeding the threshold limit, and with agreement of parties, the petition is disposed of with following directions:-

I. The petitioner shall visit the branch on 19.08.2026 at 12:00 PM with all supporting documents to change the threshold limit.;

II. The petitioner shall also produce all KYC documents;

III. The respondent shall re-visit the threshold limit fixed in November, 2025, in view of the documents furnished by the petitioner and if everything is found in order, immediately unfreeze the account of the petitioner.

8. The counter affidavit handed over in Court today is taken on record.

9. With these directions, the petition is disposed of granting liberty to the petitioner to revive in case of any difficulty.”



11. Subsequently, on the basis of the directions issued by this Court, the petitioner furnished all of its relevant documents and completed e-KYC.

12. Thereafter, the respondent No. 1-3 Bank addressed an email dated 31.08.2026 raising fresh queries regarding GST turnover, sales invoices and transaction-wise reconciliation of the account.

13. The petitioner did not respond to the same as the petitioner did not want to divulge the confidential information *vis-a-vis* its client and business transactions.

14. Mr. Tamber, learned counsel for the respondent No. 1-3 Bank, draws my attention to the Reserve Bank of India (Commercial Banks -Know Your Customer) Directions, 2025 (***“RBI Directions”***) dated 28.11.2025 issued by the respondent No. 4 and more particularly Clause 17.3 of the same, which reads as under:-

“17. Without prejudice to the generality of the aspect that Customer Acceptance Policy may contain, the bank shall:

(1) ...

(2) ...

(3) not undertake a transaction or commence an account-based relationship without following the CDD procedure.”

15. He further draws my attention to the account opening form of the respondent No. 1-3 Bank and more particularly Clause No. 16 of the same, which reads as under:-

“16. I/We understand that the account will be activated and debits will be allowed only after completion of Customer Due Diligence relating to KYC by the Bank.”

16. He also places reliance upon the Master circular- Threshold Limit in



Customer Account (***“Master Circular”***) issued by the respondent No. 1-3 Bank and more particularly on the following portion, which read as under:

“Restriction on breach of Threshold limit

On breach of 100% threshold limit, above SMS will be sent and ADC Channel will be blocked for the account and restriction will be imposed in Finacle for over the counter customer.

SMS will be sent on declining of transaction through ADC Channel to customer with breached threshold limit, on registered mobile number, wherever available,

"Dear Customer,

Your digital banking transaction is temporarily blocked. Pls contact nearest Branch for updation of annual income/Turnover to resume services. UCO Bank"

If any customer contact for unblocking, the branch to ensure that the transactions in the accounts are legitimate and obtain relevant documents/clarification for the same, if required. After duly satisfied with customer submission, branch to unblock the account in Finacle by "ADCBLK" menu."

17. Reliance is also placed by him on the purpose of the Master Circular and more particularly on the portion which reads as under:

“Background



In terms of the provisions of Prevention of Money-Laundering Act. 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules 2005, as amended from time to time by the Government of India. Banks are required to follow certain Customer Identification Procedures (CIP) while undertaking a transaction either by establishing an account-based relationship or otherwise and monitor their transactions.”

18. Lastly, he relies on paragraph No. 27 of the judgment of Hon’ble Kerala High Court passed titled as **Abdul Azeez v. Union of India, 2025 SCC OnLine Ker 12455**. Paragraph No. 27 of the said judgment reads as under:-

“27. Hence, I am of the view that till the time the RBI comes forward with a Standard Operating Procedure for the Banks to deal with suspicious accounts, it is for this Court to intervene and give guidance to the Banks, taking note of the object of the aforesaid Guidelines issued by the RBI. Accordingly, the following guidelines are made for freezing the operations in the account when the Bank entertains suspicion about the operation of the account.

- 1. If the Bank is having reason to believe suspicious transactions in the account, the Bank is free to effect a debit freeze of the account without notice to the Account Holder.*
- 2. The Bank shall intimate the freezing of the Account to the Account Holder by sending a Communication with reasons for suspicion by SMS and Registered post on the date of*



freezing itself.

3. The Bank shall send a Communication detailing the freezing of the account with reasons for suspicion to the jurisdictional Cyber Crime Police Authority and all the authorities required under the Guidelines issued by the RBI and ensure its receipt by them.

4. The Account Holder is free to submit a necessary Explanation to the Bank regarding the suspicion entertained by the Bank, and on receipt of such an Explanation, the appropriate authority of the Bank shall consider the same and pass appropriate orders within a period of one week from the date of receipt of the Explanation and communicate the same to the Account Holder. If the Bank is satisfied with the Explanation submitted by the Account Holder, the Bank is to de-freeze the account.

5. If no Explanation is received from the Account Holder or the Explanation submitted by the Account Holder is not satisfactory to the Bank, the Bank can continue with the freezing of the account for a period of three months from the last date of delivery of the communication of freezing to the aforesaid authorities mentioned in Point No. 3.

6. If the Bank receives any instruction/order from any of the aforesaid authorities mentioned in Point No. 3, the Bank has to comply with it and communicate the same to the Account Holder without delay.



- 7. If no communication is received within a period of three months from the last date of delivery of the communication of freezing to the aforesaid authorities mentioned in Point No. 3, the Bank shall lift the freezing of the account, allowing the Account Holder to deal with the credit balance and intimate the same to the Account Holder and thereafter the Bank may either permit the operation of the account or demand closure of the account.*
- 8. If the Account Holder has a grievance that the Bank has illegally rejected the Explanation submitted by the Bank, the Account Holder is free to challenge the same in accordance with law.”*
19. By placing reliance on all the aforesaid directions, circulars and judgment, it is the submission of Mr. Tamber that from a conjoint reading of all of the above, the respondent Nos. 1 to 3 Bank is under an obligation to monitor the accounts of its customers and report any suspicious transactions and the aim of such procedure is to prevent money laundering through banking channels.
20. *Qua* the petitioner’s case, he states that the threshold limit of the petitioner was at Rs. 5 Lakhs and in the relevant period, the transactions in the petitioner’s account were to the tune of Rs. 8.5 Crores. Resultantly, the petitioner’s account was put under the debit freeze.
21. From a conspectus of the aforesaid, it is evident that Clause 17.3 of the RBI directions is the only relevant provision, which may be possibly construed by the respondent Bank as an enabling provision for it to place the bank account of the petitioner under debit freeze.



22. The said Clause, to my mind, cannot be considered to enable the respondent No. 1-3 Bank to freeze the petitioner's bank account. It only permits the respondent No. 1-3 Bank "*not to undertake a transaction*" meaning thereby that the respondent No. 1-3 Bank will not expose itself to the concerned person/entity for a loan transaction or overdraft, which the petitioner may seek to avail.

23. Further, it also directs the respondent No. 1-3 Bank not to commence an account based relationship without following the Customer Due Diligence ("**CDD**") procedure.

24. In the present case, the respondent No. 1-3 Bank permitted the petitioner to open a bank account only after duly undertaking the CDD procedure.

25. Additionally, the Clause Nos. 52, 53 and 54 of the RBI directions are relevant and read as under:-

"Chapter VIII - Reporting Requirements to Financial Intelligence Unit- India

52. The bank shall furnish to the Director, Financial Intelligence Unit-India (FIUIND), the information referred to in Rule 3 of the PML (Maintenance of Records) Rules, 2005 in accordance with Rule 7 thereof.

Explanation: In terms of Third Amendment Rules notified September 22, 2015 regarding amendment to sub rule 3 and 4 of rule 7, Director, FIU-IND shall have powers to issue guidelines to the REs for detecting transactions referred to in various clauses of sub-rule (1) of rule 3, to direct them about the form of furnishing information and to specify the



procedure and the manner of furnishing information.

53. The bank shall take note of the reporting formats and comprehensive reporting format guide, prescribed/released by FIU-IND and Report Generation Utility and Report Validation Utility developed to assist reporting entities in the preparation of prescribed reports. The bank which is yet to install I adopt suitable technological tools for extracting CTR/STR from its live transaction data shall make use of the editable electronic utilities to file electronic Cash Transaction Reports (CTR)/Suspicious Transaction Reports (STR) which FIU-IND has placed on its website. The Principal Officer of the bank, shall have suitable arrangement to cull out the transaction details from branches which are yet to be computerised and to feed the data into an electronic file with the help of the editable electronic utilities of CTR/STR as have been made available by FIU-IND on its website <http://fiuindia.gov.in>.

54. When furnishing information to the Director, FIU-IND, a delay of each day in not reporting a transaction or delay of each day in rectifying a mis-represented transaction beyond the time limit as specified in the Rule shall constitute as a separate violation. The bank shall not put any restriction on operations in the accounts merely on the basis of the STR filed.

The bank, its directors, officers, and all employees shall ensure that the fact of maintenance of records referred to in



rule 3 of the PML (Maintenance of Records) Rules, 2005, and furnishing of the information to the Director is confidential. However, such confidentiality requirement shall not inhibit sharing of information under paragraph 8 of these Directions of any analysis of transactions and activities which appear unusual, if the bank has done any such analysis.”

26. A perusal of the aforesaid Clauses of the RBI directions shows that the Bank is under an obligation to intimate and forward all suspicious transaction reports to the Financial Intelligence Unit.

27. It is also pertinent to note that Clause 54 of the RBI directions categorically prohibits the bank from putting any restrictions on the account merely on the basis of suspicious transaction reports.

28. Hence, to my mind, Clause 54 of the RBI Directions is clear in its ambit and scope as it is only a provision imposing a reporting obligation on the Bank and the same in no manner be construed as a source of power to freeze an account. Thus, the impugned action of the respondent No. 1-3 Bank cannot be sustained under the garb of fulfilling its duties.

29. The reliance placed by the respondent No. 1-3 Bank on Clause 16 of the account opening is also unfounded as the said clause clearly states that the account will be activated and debits will be allowed only after completion of CDD procedure relating to KYC.

30. In the present case, the account of the petitioner has already been activated after duly completing the CDD procedure, and the CDD procedure is only relatable to the KYC.

31. Another ground raised by the learned counsel for the respondent No.



1-3 Bank regarding the Master Circular issued by the Bank itself also deserves to be rejected, as the provisions of the Master Circular, reproduced above, are contrary to the Clause 52, 53 and 54 of the regulatory guidelines of respondent No. 4/RBI i.e., RBI Directions.

32. If the circular of the respondent bank is to be accepted as permitting the respondent No. 1-3 Bank to place accounts under debit freeze which they consider to be suspicious, the Clause 54 of RBI Directions becomes redundant, which specifically impose a reporting obligation and does not confer power of undertaking any account freezing action.

33. The judgment of Hon'ble Kerala High Court in the case of **Abdul Azeez (Supra)** also is distinguishable from the present case as contentions concerning ambit and scope of Clause 54 of the RBI Directions were neither raised nor considered in the said judgment.

34. In somewhat similar circumstances, I have taken a view, in the case of **Global Enterprises vs Union of India and Ors., W.P.(C) 1955/2026**, the paragraph Nos. 8 to 18 are relevant and are reproduced as under:-

8. A perusal of the paragraph reproduced above shows that the reason for freezing the account of the petitioner are as following: (a) there were high frequency, high-value transactions identified by the respondent Bank's surveillance system, (b) petitioner's account showed high value transactions aggregated to a sum of about Rs. 4 crores, (c) the petitioner declared a gross annual income of Rs. 10 lakhs at the time of opening the bank account but the subsequential transactions were of substantial magnitude and borne no reasonable nexus to the income declared. (d)



the office premises from where petitioner conducts business was about Rs. 50 sq. feet and with such infrastructure does not justify transactions about Rs. 4 crores, (e) the action of freezing the petitioner's account has been taken pursuant to the Master Directions issued by Reserve Bank of India ("RBI") namely Commercial Banks Know Your Customer Directions 2025, as updated and (f) the respondent bank's action is preventive and not penal in nature.

9. Along with the counter-affidavit, the Statement of Account or the petitioner has also been annexed and the same shows the following transactions:-

...

10. A perusal of the same shows that the total withdrawal was of about Rs. 45 lakhs and deposits of about Rs. 64 lakhs. Whereas, the "Enhanced Due Diligence" report by respondent Bank, also annexed in the said short affidavit of the respondent Nos. 2 and 3, shows expected turnover of about Rs. 4 crores.

11. The present case displays a classic example of total non-application of mind and high handedness. A bank is not an enforcement agency and cannot question the legitimate transactions of its customer. The petitioner is GST compliant and in case there is any violation, it is under the ambit of GST authorities/Income Tax authorities and a bank cannot be granted the rights of enforcement/police agencies.

12. Further, the Master Directions issued by RBI only



suggest that the Bank is to be aware of suspicious entries/business transactions only with a view to ensure that the overdraft accounts do not become Non-Performing Assets. In the present case, to my mind the transactions of the petitioner are not of such a nature as to raise any suspicious. Even otherwise, it is not that the petitioner has to satisfy the subjective apprehensions/ suspicion of the bank.

13. The bank is a custodian of the account of the petitioner and freezing of an account has serious civil consequences and the running of the entity can come to a standstill. The freezing of an account entails serious consequences creating hardships for commercial entities in smooth functioning and the same might result in commercial debt. The respondent bank cannot take such harsh measures without complying with the principles of natural justice and without any application of mind.

*14. Additionally, a Coordinate bench of this Court in **Malabar Gold and Diamond Limited & Ors. v. Union of India & Ors., W.P.(C) 4198/2025, Order dated 16.01.2026,** has observed that that actions of blanket freeze in cases where the account holder is neither an accused nor a suspect, is manifestly arbitrary and in clear violation of Article 19(I)(g) and Article 21 of the Constitution of India.*

15. Additionally, in the present case, prior to freezing the account, there was no show cause notice and there was no



personal hearing and such actions of the respondent Bank are not only in clear violation of the principles of natural justice but also disproportionate and an arbitrary exercise of power thereby striking a blow at the fundamental rights of the petitioner. Therefore, the action deserves to be set aside.

16. The information provided to the customer is not compliance of Principles of Natural Justice.

17. For the said reasons, the petition is allowed and the respondent Bank shall forthwith unfreeze account of the petitioner bearing No. 42560200000560 maintained with respondent Bank Mianwali Branch.

18. The petition is disposed of in aforesaid terms, along with pending applications, if any.

35. From a conspectus of the aforesaid, it is clear that principles of natural justice must be scrupulously complied before taking such harsh measures against any individual/business entity, as allowing such actions to be imposed in a cursory manner will result in commercial death of such entities. In the factual situation of the present case, the petitioner was not served any show cause notice or intimation prior to imposition of debit freeze on its account, thus, the impugned action is also in violation of principles of natural justice and the same cannot be allowed to sustain.

36. Additionally, it is evident that the respondent No. 1-3 Bank had no authority to question the legitimate transactions of its customer in furtherance to its business activities as the Bank is not an enforcement agency and it cannot be allowed to assume this role in order to govern the



business activities of its customers in an autocratic manner conferring itself with unbridled powers against the rule of law.

37. To my mind, in any case the petitioner was not required to satisfy or provide any explanation to the apprehensions/suspicion of the Bank.

38. In view of the aforesaid order, the submission of the learned counsel for the respondent No. 1-3 Bank cannot be accepted, as the same would permit the respondent No. 1-3 Bank to look into confidential business transactions of an individual/ business entity, which is purely private in nature and cannot be looked into until the respondent No. 1-3 Bank is given the policing powers to investigate/control transactions of its Customers.

39. As regards the argument of the learned counsel for the respondent No. 1-3 Bank that on 09.09.2026, the suspicious transactions in the account of the petitioner were flagged in its AML system, the same cannot be countenanced as the account has been placed under debit freeze since the beginning on the ground of threshold limit issue and the same was also a subject matter of earlier round of litigation in W.P.(C) 10810/2026.

40. To my mind, a prospective flagging of transaction in AML system of the respondent No. 1-3 Bank cannot be used as a ground to support the justifiability of its retrospective action already operating to the detriment of the petitioner.

41. The Bank is a custodian of funds for individuals/entities and after being satisfied by the KYC documents permits the opening of an account. Thus, the Bank cannot be permitted to put any banking restrictions on the same and assume coercive powers to investigate banking transactions of its customers and to interdict them in any manner.

42. Accordingly, the Current Account bearing No. 01530210003671



maintained with the respondent No. 1-3 i.e., UCO Bank, shall be made operational and the debit freeze restriction shall be removed forthwith.

43. With aforesaid directions, the petition is allowed and disposed of.

OCTOBER 6, 2026/AS

(Corrected and released on 09.10.2026)

JASMEET SINGH, J