KABC010181052026

IN THE COURT OF THE XCI ADDITIONAL CITY CIVIL AND SESSIONS JUDGE, BENGALURU
(CCH-92)

DATED THIS THE 29TH DAY OF JULY 2026

: PRESENT :

Sri. SATHISHA L.P.,B.A., LL.B.,
XCI Addl. City Civil & Sessions Judge
& Spl. Judge for KPIDFE Cases, Bengaluru.

MISC. No:783/2026

PETITIONER : J.S. Bhaskara
S/o J.V. Subba Bhatta
Aged about 71 years,
Residing at No.72,
4th Cross, 2nd Main Road,
Sarvabhoumanagara,
Chikkallasandra,
Subramanyapura,
Bengaluru – 560 061.

(By Sri. Hiran Krishnaswamy – Advocate)

-VS-

RESPONDENT : The Assistant Commissioner,
Special Officer and

Competent Authority,
For M/s. Sri. Vashista Credit
Souharda Co-operative Ltd.,
3^{rd} and 4^{th} Floor,
Podium Block,
V.V Mini Tower,
Dr. Ambedkar Veedhi,
Bengaluru-560 001.

(By Sri. Sathish Venkatesh – S.P.P)

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<table>
<tr><td>Date of Institution of the Petition</td><td colspan="3">25/06/2026</td></tr>
<tr><td>Nature of the Petition</td><td colspan="3">Seeking direction to the Competent Authority to accept the claim</td></tr>
<tr><td>Date on which the order is pronounced</td><td colspan="3">29/07/2026</td></tr>
<tr><td rowspan="2">Total duration</td><td>Year/s</td><td>Month/s</td><td>Day/s</td></tr>
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ORDER

1. This Petition is filed by the petitioner under section 11 (2) of the Karnataka Protection of Interest of

Depositors in Financial Establishment Act, 2004, seeking direction to the respondent Authority to accept the claim application filed by the petitioner and to pass such other orders.

2. In the petition, it is contended that the wife of the petitioner by name Late Sumangali S has invested her earned money with Sri Vasishta Credit Souharda Cooperative Limited. Upon allegations of fraud, the government, acting under the provisions of the Karnataka Protection of Interest of Deposits in Financial Establishment Act, 2004, attached the properties of the said financial establishment and its associated persons. The Joint Director of Cooperative Audit, Bangalore, was appointed as competent authority for the said financial establishment. Thereafter, by notification dated 20-9-2023, the present respondent was appointed as competent authority.

3. The respondent competent authority issued a public notice in the newspapers calling for claims from the depositors of the said financial establishment on 19-05-2023. The petitioner submitted a duly filled claim application along with all necessary

documents on 09-06-2023. The petitioner was waiting for the return of her money, but the respondent competent authority issued an endorsement on 16-01-2025, rejecting the claim on the ground that the "claim is not supported by proper verifiable proof as contemplated under section 7(2) of the Karnataka Protection of Interest of Depositors in Financial Establishment Act, 2004, for having invested the money." The petitioner made a representation against the said endorsement dated 16-01-2025, requesting the competent authority to clarify as to what constituted proper verifiable proof, on 14-02-2025. In response to the representation the competent authority has issued another endorsement dated 27/2/2025 refusing to clarity as sought and further contended that 'it is for the Hon'ble Special court under section 8 and 11(e) of the KPIDFE Act 2004 to interpret what constitutes proper verifiable proof', and not accepted the claim, constraining the petitioner to approach this court.

4. The petitioner has been defrauded by the said financial establishment and the respondent competent authority is now making the petitioner run

from pillar to post in seeking the refund of the money deposited in the said financial establishment. Therefore, the petitioner is claiming the above-said relief.

5. The respondent has filed detailed objections to oppose the present petition.

In the objections, it is contended that the petition is not maintainable and is liable to be dismissed on merits.

The petitioner has claimed to have deposited a sum of ₹4,35,000/- in cash with the financial establishment.

The petitioner has filed claim applications vide serial numbers 2028 filed on 09-6-2023.

Upon verification of the claim applications, it was observed that the petitioner claims to have deposited a cash amount of ₹4,35,000/- . The petitioner has neither submitted any valid documents as mandated under section 7(2) of the Act, nor produced any legally admissible evidence to establish the payment of money or any financial transaction with the fraudulent financial establishment. Since the petitioner has not furnished any valid proof of investment or any bank statement to substantiate the transfer of the amount to the financial establishment, the claim in respect of the said deposits could not be validated. Hence the claim was rejected.

All decisions regarding claims are taken only by the competent authority strictly in accordance with:

- Section 7 of the Act,
- Directions of the court, and
- Scrutiny by the special court.

Claims and disbursement of money can only be made after subjective satisfaction of the respondent, which shall be in strict compliance with section 7(2) of the Act.

Mere possession of a receipt is not conclusive proof of deposit unless corroborated by other evidence such as reliable documents like bank transactions, records showing cash inflow or outflow as the case may be, or income tax returns, etc.

Blind and/or automatic acceptance of claims made in cash, especially when they relate to a relatively higher amount, will:

- Open the floodgates to fabricated receipts and fraudulent, exaggerated claims.
- Harm genuine depositors, whose interests cannot be compromised — especially to favour those who have deposited lakhs of rupees in cash in violation of extant law and by avoiding the tax regime.

Section 11(2) proceedings cannot be used as a laundering exercise to convert black money into legitimate white money.

An assertion or admission of payment in cash in excess of the statutory limit under the Income Tax Act cannot be relied upon as a lawful or credible fact by the court to grant substantive relief, more so in the absence of any conclusive proof like bank transactions, ITR, etc. Further, such an assertion triggers suspicion, strict scrutiny, and mandatory intimation to the Income Tax Department, as required by the Hon'ble Supreme Court of India by its judgment dated 16-4-2025, in the case of Correspondent, RBANMS Educational Institutions versus B. Gunasekhar and Another, in Civil Appeal Number 5200 of 2025 arising out of SLP (C) Number 13679 of 2022 (2025 INSC 490), and it does not validate the transaction.

Accepting the claim of a deposit having been made in cash, especially of a high denomination, would indeed amount to judicial facilitation of the laundering of illegal cash transactions. As a matter of fact, this court may kindly be pleased to intimate such a claim to the authorities as required by the Supreme Court in the judgement mentioned above, and accordingly this court may kindly be pleased to report the same to the IT authorities, as the said judgement of the Supreme Court mandates reporting rather than reliance.

Such a claim of having deposited lakhs of rupees in hard cash does not merit consideration for dispersal of money and is definitely not proof for the grant of relief, but is a red flag which invites the attention of the IT machinery. At the least, the assertion invites investigation and penalties, not payment of money.

The petitioner proceeds on the assumption that an assertion of cash payment or production of a cash receipt automatically entitles acceptance of the cash claim. This assumption is contrary to all logic.

Receipts or assertions of cash deposits are prima facie material and not conclusive proof of valid deposit under the Act.

Financial fraud cases under KPIDFE have revealed fabricated receipts, duplicate claims, fraudulent claims, and unverifiable cash transactions.

The respondent is under a statutory duty to verify the genuineness of each claim, especially where the claim is based on cash transactions, and even as per the directions of this court.

The respondent further submits that one of the important requirements to accept the claim application is that the applicant should furnish proof of documents for transfer of the amount to obtain bonds/ receipts, as per section 7, subsection 2 of the Act.

The respondent further submits that the Supreme Court in several other cases has also held that when there is a doubt about the genuineness of a transaction, it should not be accepted, and the practice of conversion of unaccounted money should be subjected to careful scrutiny. Since the petitioner had failed to produce proper proof of investment/deposit along with the claim application as required under section 7, subsection 2 of the Act, it was not possible to validate the said claim as required under law, and hence the claim application was rejected.

The respondent further submits that the wife of the petitioner has deposited a sum of ₹4,35,000/- by way of cash, and this transaction amounts to converting illegal cash into legal tender. The Hon'ble court has clearly held that such transactions cannot be entertained or accepted.

The respondent further submits that since the petitioner has not produced any valid documentary proof, either while filing the claim or in this petition, the same cannot be entertained in the absence of any valid proof as mandated under section 7, subsection 2 of the Act.

With the above contentions, the competent authority has prayed that the petition be rejected.

5. Heard the arguments from both sides and perused the records.

6. Now the following points would arise for my consideration:

> **Point No. 1:** Whether the petition filed by the petitioner under Section 11(2) of the KPIDFE Act, 2004 seeking direction to the respondent Competent Authority to accept the claim deserves to be allowed?
>
> **Point No. 2:** What order?

7. Having heard the arguments and after perusal of the records, my answer to the above point is partly in the affirmative for the following reasons:

REASONS

8. Point No. 1: The present petition is filed by the petitioner being the nominee of deceased Sumangali S under Section 11(2) of the KPIDFE Act, 2004

seeking direction to the respondent Competent Authority to accept the claim submitted by the petitioner.

9. In the petition, it is contended that the wife of the petitioner had invested in Sri Vashista Credit Souharda Cooperative Limited. Upon allegations of fraud, the Government has initiated proceedings under the provisions of the KPIDFE Act, 2004 and a Competent Authority was appointed by attaching the properties of the said Financial Establishment and its associated persons. The Competent Authority so appointed issued paper publications calling for claims from the depositors. Accordingly, the petitioner submitted a claim application along with necessary documents. However, the respondent Competent Authority issued an endorsement on 16-01-2025 rejecting the claim of the petitioner. Hence, the petitioner is before the Court seeking a direction to the respondent Competent Authority to accept the claim.

10. Per contra, the respondent Competent Authority has filed detailed objections mainly contending that the deposit made by the petitioner was in

cash; therefore, the claim of the petitioner cannot be considered and, hence, the same was rejected.

The petitioner has produced the endorsement issued by the respondent Competent Authority dated 16-01-2025, which reads as under:

"This is with reference to your claim application cited above. After due verification of the claim application, it was found that your claim application is not supported by proper verifiable proof as contemplated under Section 7(2) of the KPIDFE Act, 2004 for having invested the money; hence, your application is rejected. This is for your kind information."

As the endorsement has been issued citing Section 7(2) of the KPIDFE Act, 2004, I would like to extract the said provision for the sake of convenience, which reads as under:

"Section 7(2) - The Competent Authority thereafter shall issue notice either individually or by means of effective media publications, inviting claims from the secured creditors, if any, and also the depositors of the Financial Establishment to submit their claims with proper proof to establish the same.

Explanation.- For the purpose of this section,-

‘effective media publication’ shall mean publication in the public media, with State-wide or multi-State-wide circulation, as the case may be, including social media, and providing the option of both online and offline submission of claims.

For the purpose of this section, ‘proper proof to establish claim’ shall include

(a) suitable proof of identity and right to payment;
(b) **suitable proof of security, deposit contract, bond or agreement and financial transactions, if any; and**
(c) **judicial decree.”**

11. On a plain reading of this provision, it makes clear that the depositor who wishes to submit his claim form has to submit suitable proof of identity, meaning thereby her identity proof as generally accepted, and documents to show her wife investment in the Financial Establishment or financial transactions with the said Financial Establishment or any judicial decree. After submission of the claim applications by the depositors, the Competent Authority has to verify the genuineness of the claim and documents. Thereafter, it has to decide upon the claim of each individual. If the Competent Authority wants to reject a claim

application for any reason, it should pass at least a minimum speaking order instead of issuing an endorsement, because the Competent Authority so appointed enjoys the powers of a Civil Court as stated in Section 3(1A) of the Act.

12. Here, in this case, it appears that the Competent Authority has issued an endorsement as mentioned above without passing even a minimum speaking order, which is not correct. I have perused the documents produced by the petitioner along with the petition. The petitioner has produced identity proof and deposit certificates and death certificate of her wife which are prima facie enough to consider the claim of the petitioner. Therefore, I am of the opinion that the petition needs to be allowed by answering Point No. 1 in the partly affirmative. Hence, answered accordingly.

Point No. 2: In view of the above reasons, I proceed to pass the following:

ORDER

The petition filed by the petitioner under Section 11(2) of the KPIDFE Act, 2004 seeking direction to accept the claim of the petitioner is partly allowed.

The respondent Competent Authority is hereby directed to reconsider the claim of the petitioner and pass at least a minimum speaking order.

The petitioner is directed to submit all the relevant documents to the Competent Authority as insisted by it for reconsideration of the claim afresh.

The petitioner shall re-submit the claim within 30 days from today along with a copy of this order and the relevant documents.

*(Directly dictated to the Stenographer Grade on computer, corrected and signed, then pronounced by me in open court, on this the **29th day of July 2026)***

L P SATHISH

Digitally signed by L P SATHISH
Date: 2026.07.29 16:17:04 +0530

(SATHISHA L.P)
XCI Addl. City Civil & Sessions Judge
and Spl. Judge for KPIDFE Cases,
Bengaluru.