IN THE COURT OF THE PRL. CIVIL JUDGE AND J.M.F.C AT GOWRIBIDANUR

Dated this 27th day of March 2026

:: PRESENT ::
SRI. GANESHA.N
M.A., L.L.B.,
Prl. Civil Judge & J.M.F.C,
Gowribidanur

CC No.247/2016

Complainant:	State by Gowribidanur Town Police Station. **(Represented by Asst. Public Prosecutor)**

-Vs-

Accused :	Sri. Srirama G.V S/o Late. Venkatappa, Aged about 49 years, R/at Kote, Gowribidanur Town, Chikkaballapura District. **(Rep. by Sri. V.V.K., Advocate)**

Date of institution of Case	:	17.02.2016
Nature of Offence	:	U/s.3 and 4 of Karnataka Prohibition of Charging Exorbitant Interest Act,

		2004 and Sec.420 of IPC.
Date of commencement of recording of evidence	:	27.03.2017
Date on which the judgment was pronounced	:	27.03.2026
Opinion of the Judge	:	Accused found not guilty.

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(GANESHA.N)
Prl. Civil Judge & J.M.F.C.
Gowribidanur

J U D G M E N T

The present criminal case came to be registered against the accused for the offences punishable under Sections 3 and 4 of the Karnataka Prohibition of Charging Exorbitant Interest Act, 2004 and Section 420 of the Indian Penal Code, 1860.

2. Case of the prosecution is gist:

The accused namely Sri. Srirama, a resident of Gowribidanur Town within the jurisdiction of

Gowribidanur Police Station, was carrying on money lending business without obtaining any valid licence or authorization from the Government. The accused was advancing loans to the public and collecting exorbitant rates of interest, thereby cheating innocent borrowers. Upon receipt of credible information, the police officials conducted a raid on the residential premises of the accused on 03.07.2015 between 1:00 p.m. and 2:00 p.m. and the accused was found in possession of several incriminating articles, including five two-wheeler vehicles allegedly pledged by members of the public, fourteen signed blank cheques of various banks, thirteen vehicle Registration Certificate books, fifteen files relating to Forms No.29 and 30, four on-demand promissory notes executed on revenue stamps and a document executed on a blank paper affixed with a revenue stamp. The said articles were seized under a mahazar in the presence of panch witnesses and thereby the accused has committed offences punishable under Sections 3 and 4 of the Karnataka Prohibition of Charging Exorbitant Interest Act, 2004 and Section 420 of the Indian Penal Code, 1860 and PW.1 Sri.Nayaz Beig, P.S.I has lodged complaint before the Gowribidanur Town police station in Crime No.108/2015 and after due investigation, charge-sheet came to be filed by the P.W.9.

3. The accused No.1 was produced before this Court on 03.07.2015 and he was enlarged on bail on 07.07.2015.

4. Having regard to the contents of charge sheet and other materials on record, this Court has taken cognizance for the offences punishable under Sections 3 and 4 of the Karnataka Prohibition of Charging Exorbitant Interest Act, 2004 and Section 420 of the Indian Penal Code, 1860 and after appearance of accused, copy of charge sheet was supplied as contemplated U/s.207 of Cr.P.C.

5. Having found sufficient materials, charges were framed against accused for the offences punishable under Sections 3 and 4 of the Karnataka Prohibition of Charging Exorbitant Interest Act, 2004 and Section 420 of the Indian Penal Code, 1860 on 06.03.2017.

6. In order to prove the charges levelled against accused, the prosecution has examined 11 witnesses as P.Ws.1 to 11 and 60 document were marked as Exs.P1 to 60.

7. Having found incriminating materials against accused in the evidence of witnesses of prosecution, this Court examined the accused on 16.02.2026 U/s.313 of Cr.P.C. The accused has submitted that he has no defense evidence to lead.

8. Heard arguments advanced by the learned APP and learned counsel for the accused. Having heard arguments and having perused entire materials on record, the following points would arise for determination of this Court.

POINTS

1. Whether the prosecution proves beyond all reasonable doubt that on or about 03.07.2015 at Gowribidanur Town within the jurisdiction of Gowribidanur Police Station, the accused without obtaining any valid licence from the Government, was carrying on the business of money lending and was charging exorbitant interest from the public and thereby committed an offence punishable under Section 3 of the Karnataka Prohibition of Charging Exorbitant Interest Act, 2004?

2. Whether the prosecution proves beyond all reasonable doubt that on the above said date, time and place the accused while carrying on such money lending business, collected exorbitant interest from borrowers and retained their vehicles, cheques, documents and other valuables as security and thereby committed an offence punishable under

Section 4 of the Karnataka Prohibition of Charging Exorbitant Interest Act, 2004?

3. Whether the prosecution proves beyond all reasonable doubt that on the above said date, time and place the accused dishonestly and fraudulently induced members of the public to borrow money from him and thereby deceived them and caused wrongful loss to them and wrongful gain to himself and thereby committed an offence punishable under Section 420 of the Indian Penal Code, 1860?

4. What order ?

9. Having regard to the entire materials on record, this Court answered point Nos.1 to 3 in the **Negative** and Point No.4 as per final order for the following:

REASONS

10. Point Nos.1 to 3: Since these points are interconnected with each other, they are taken up together for determination to avoid repetition of facts and testimony of witnesses. Before adverting to the facts and circumstances of the case, it is profitable to refer to the judgment of Hon'ble Supreme Court in **State of UP V/s Krishna Gopal and another reported in AIR 1988 SC 2154** wherein it is held that "while the protection given by the criminal process to the accused person he is not to be eroded, at the same time, uniformed legitimization of trivialities would make a mockery of administration of criminal justice" and in **Shivaji Sahabrao Bobade and others V/s State of Maharashtra reported in AIR 1973 SC 2622** held that "in an anxiety to apply the jurisprudential presumption of innocence of an accused court should not forget to moderate the same by a pragmatic need to make criminal justice potent and realistic". Therefore the principle "proof beyond all reasonable doubt" is the mile stone in penal side and requires higher degree of proof in criminal cases. Therefore in order to come to the conclusion that a person has committed an offence either under IPC or under any other criminal, it is boundan duty of the prosecution to prove charges leveled against the accused persons beyond all reasonable doubt without giving any room for doubt. Otherwise the accused persons should be given benefit of doubt.

11. If we look into the contents of the charge in the present case, the prosecution has alleged that on 03.07.2015, the accused at Gowribidanur Town within the jurisdiction of Gowribidanur Police Station was carrying on money lending business without obtaining any valid licence or authorization from the Government and he was advancing loans to the public and collecting exorbitant rates of interest, thereby cheating innocent borrowers and upon receipt of credible information, the police officials conducted a raid on the residential premises of the accused on 03.07.2015 between 1:00 p.m. and 2:00 p.m. and during the course of the said raid, the accused was found in possession of several incriminating articles, including five two-wheeler vehicles allegedly pledged by members of the public, fourteen signed blank cheques of various banks, thirteen vehicle Registration Certificate books, fifteen files relating to Forms No.29 and 30, four on-demand promissory notes executed on revenue stamps and a document executed on a blank paper affixed with a revenue stamp. The said articles were seized under a mahazar in the presence of panch witnesses and thereby the accused has committed offences punishable under Sections 3 and 4 of the Karnataka Prohibition of Charging Exorbitant Interest Act, 2004 and Section 420 of the Indian Penal Code, 1860.

12. In support of its allegation made against accused, the prosecution has examined 11 witnesses as P.Ws.1 to 11 and Exs.P.1 to 60 documents were got marked. Exhibit P1 is the mahazar dated 03.07.2015 drawn by PW.1 in the presence of panch witnesses PWs.3 and 4. Exhibit P2 is the complaint lodged by PW.1 before PW.9. Exhibits P3 to P9 are the photographs of the two-wheelers. Exhibits P10 to P22 are blank cheques. Exhibit P23 is an unstamped bond paper. Exhibit P24 is a cheque slip. Exhibits P25 to P37 are the Registration Certificate books of vehicles. Exhibits P38 to P52 are Forms No.29 and 30. Exhibits P53 to P56 are blank on-demand promissory notes and receipts. Exhibit P57 is a stamp paper allegedly belonging to one Surendra Babu. Exhibits P58 and P60 are the statements of PWs.8 and 10 respectively. Exhibit P59 is the First Information Report.

13. PW.1 being complainant has deposed in his evidence that on 03.07.2015, upon receiving credible information that the accused, Sri Srirama, residing at Gowribidanur Town, was collecting exorbitant interest from the public and thereby cheating them, he proceeded to the house of the accused and he secured the presence of panch witnesses, informed them about the information received, and requested them to act as panchas. Accordingly, along with the panch witnesses and police staff, he went to the house of the accused. He has further stated that when they inspected the premises of the accused, they found five two-wheeler vehicles stationed near the house. The accused was present at that time. On enquiry, the accused stated that he had retained those vehicles as security from persons who had failed to repay the loan amounts with interest. When questioned regarding the documents of the said vehicles, the accused stated that he did not possess any documents. The said vehicles were seized under a mahazar in the presence of panch witnesses. He has further deposed that thereafter, a search of the house of the accused was conducted, during which fourteen cheques belonging to various banks, thirteen account/financial record books, four on-demand promissory notes affixed with revenue stamps, fifteen Forms No. 29 and 30, and one document bearing a revenue stamp and signed in the name of one Surendra Babu were found and seized under a mahazar conducted between 12:00 noon and 2:00 p.m. The witness has identified the mahazar and his signature therein, and the same has been marked as Exhibit P1. The signatures of other panch witnesses have also been marked therein. He has further deposed that thereafter he returned to the police station and submitted a report to the Station House Officer for taking further action. Subsequently, he lodged a complaint, which has been marked as Exhibit P2, and he has identified his signature on the same. The witness has further identified the seized documents, which have been marked as Exhibits P1 to P57.

14. PW.2 has deposed in his evidence that on 03.07.2015, PW.1 called him along with PW.5 to PW.8 and informed them that the accused was carrying on a money lending business by charging exorbitant ('meter') interest near his house and requested them to accompany him for conducting a raid. Accordingly, he went along with them to the house of the accused. He has further deposed that at the premises of the accused, five two-wheeler vehicles found near the house and documents marked as Exhibits P1 to P57 were seized by PW.1 under a mahazar, which has been marked as Exhibit P2. He has also stated that thereafter they went to the police station, where PW.1 lodged the complaint as per Exhibit P2. Subsequently, he gave his statement before the Investigating Officer during the course of investigation.

15. PWs.3 and 4, who are cited as panch witnesses to the mahazar at Exhibit P1, have deposed in their evidence as about one or two years prior, they had affixed their signatures on Exhibit P1. However, they have further deposed that they are not aware of the contents of Exhibit P1 and that the police did not seize any documents in their presence. They have also stated that they are unable to identify or speak about the documents marked as Exhibits P3 to P52.

16. PWs.5 to 7 in their evidence have substantially reiterated the version of PW.2 and have supported the prosecution case with regard to the raid, seizure, and the presence of incriminating materials at the premises of the accused.

17. PW.8 has deposed in his evidence as the vehicle bearing registration No. KA-40-V-6314 belongs to him and about two years prior, he had left the said vehicle at the house of the accused and had gone to Bengaluru. By the time he returned the next day, the police had already seized the said vehicle. The accused had informed him to get the vehicle released from there. Except for the above, he has stated that he does not know anything else. He has further stated that in connection with the said matter, he had given his statement before the police and has signed the same.

18. PW.9, who is the Investigating Officer in the present case, has deposed as on 03.07.2015, while he was in charge of Police Station, at about 2:15 p.m., PW.1 produced before him the report, mahazar, seized articles, and the accused. On the basis of the same, he registered the case, prepared the First Information Report, and submitted it to the jurisdictional Court and superior officers. He has further deposed that he has identified his signatures on Exhibits P1 and P2 and he has also identified the five two-wheeler vehicles and the documents marked as Exhibits P3 to P57. He has further identified the property form, which has been marked as Exhibit P59, along with his signature therein. He has stated that thereafter he produced the accused before the Court. On the same day, he recorded the statements of witnesses, including PWs.2, 3, and the police staff. Subsequently, he recorded the statements of other witnesses, including PWs.9 and 10, as part of the investigation. He has further deposed that, as per the orders of the Court, he released the seized vehicles to the respective claimants on 27.01.2015 and 28.01.2015. Thereafter, on completion of investigation on 16.11.2015, and on finding sufficient material against the accused, he filed the charge sheet against him. He has admitted in his cross-examination that he has not recorded the statements of the persons whose names were mentioned in the cheques, Forms No. 29 and 30, and on-demand promissory notes, and that he has not examined the persons whose names are reflected in Exhibit P58.

19. PW.10 has deposed in his evidence as he knows the accused and that the two-wheeler bearing chassis No.MD2A11CZXECF09582, Engine No.DHZCEF88952 belongs to him. He has further deposed that he had left the said vehicle near the house of the accused and had gone elsewhere. Thereafter, he came to know that the police had seized the said vehicle from the house of the accused. He has further stated that he has not given any statement before the police in this regard. He has also stated that he had given the said vehicle to the accused for his personal use and that even now the vehicle stands in his name.

20. PW.11 has deposed in his evidence as he does not know the accused. He has further stated that the two-wheeler Passion Pro bearing registration No. KA-04-TB 1429 belongs to him. He has deposed that he has not handed over any documents relating to the said vehicle to the accused. He has further stated that he has no knowledge about the present case and that the police have not examined him in connection with this case. He has also stated that he does not know as to why his vehicle number has been mentioned in Exhibit P.1.

21. Exhibit P1 is the seizure mahazar dated 03.07.2015. In law, a mahazar is not substantive evidence by itself; it becomes relevant only when its execution and contents are duly proved through trustworthy evidence. In the present case, though PW.1 speaks to drawing of Ex.P1 and PW.9 identifies it, the attesting panch witnesses PWs.3 and 4 have not supported the prosecution. They have specifically stated that they do not know the contents of Ex.P1 and that no seizure was effected in their presence. It is true that the evidence of a hostile witness is not to be rejected in toto and the portion which inspires confidence may be relied upon. It is also true that a seizure is not to be discarded merely because panch witnesses have turned hostile, provided the Investigating Officer proves the contents of the panchnama in a convincing manner. But where the I.O. merely identifies the document and signature, without satisfactorily proving the contents and surrounding circumstances, the panchnama cannot be treated as duly proved in its full evidentiary sense.

22. In the case on hand, Ex.P1 therefore can be looked at only to the limited extent that such a document was prepared by the police, but not as conclusive proof that all the articles mentioned therein were lawfully and convincingly seized from the conscious possession of the accused. Exhibit P2 is the complaint lodged by PW.1 before PW.9. This document is admissible to show the setting of criminal law into motion and the version furnished by PW.1 at the earliest point available to the prosecution. However, the complaint is not substantive evidence of the truth of its contents. Its value is mainly corroborative or corroborative-cum-contradictory, depending on the facts.

23. Exhibits P3 to P9 are photographs of the two-wheelers. These photographs may show the existence of certain vehicles and their physical appearance, but by themselves they do not establish that the vehicles had been pledged by borrowers towards unlawful money lending transactions. A photograph proves, at best, what was photographed; it does not prove the legal character of possession or the purpose for which the property was kept. Exhibits P10 to P22 are blank cheques. Mere production of blank cheques does not establish either lending of money, charging of exorbitant interest, or cheating. Their contents do not disclose any completed transaction, the identity of any debtor, the quantum of loan, the rate of interest, or the date of transaction. Their evidentiary value, therefore, is extremely weak unless supported by independent oral evidence of borrowers or other surrounding circumstances.

24. Exhibit P23, described as an empty stamp bond, and Exhibit P24, a cheque slip, stand on the same footing. These documents, in the absence of proof as to authorship, execution, purpose, and nexus with a specific loan transaction, do not by themselves incriminate the accused. Exhibits P25 to P37 are RC books. These documents may indicate the identity and ownership particulars of certain vehicles. However, ownership of those vehicles is not sufficient to prove that they had been deposited as security for loans carrying exorbitant interest. On the contrary, the evidence of PWs.8, 10 and 11 materially weakens the prosecution case on this aspect. PW.8 merely says he left his vehicle at the accused’s house and later came to know that police had seized it. PW.10 states that the vehicle belongs to him and that he had given it to the accused for personal use. PW.11 says he does not know the accused, did not hand over any document to him, and does not know why his vehicle number was mentioned in Ex.P1. Thus, the RC books do not advance the prosecution case in the absence of credible borrower testimony.

25. Exhibits P38 to P52 are Forms No.29 and 30. These forms ordinarily relate to transfer of motor vehicles. Yet, unless the prosecution proves from whose custody they were recovered, who filled them up, why they were kept, and which borrower executed them in connection with a usurious loan transaction, their evidentiary worth remains merely suspicious, not determinative. Suspicion, however strong, cannot take the place of proof. Exhibits P53 to P56 are blank on-demand promissory notes and receipts. Again, their mere recovery, even if assumed, is insufficient to establish the offences charged. A blank or unsigned or unconnected promissory instrument, without proof of execution by a debtor and without proof of the corresponding loan and interest structure, cannot by itself sustain conviction under Sections 3 and 4 of the Karnataka Prohibition of Charging Exorbitant Interest Act, 2004.

26. Exhibit P57 is a stamp paper allegedly belonging to one Surendra Babu. There is no examination of Surendra Babu. There is no evidence showing how that document came into the possession of the accused, whether it bore any legally relevant execution, or what transaction it related to. Hence, Ex.P57 remains wholly unproved as against the accused. Exhibits P58 and P60 are the prior police statements of PWs.8 and 10. Such statements under

Section 161 Cr.P.C. are not substantive evidence. They may be used only in the manner permitted by law, principally for contradiction. They cannot be treated as proof of the facts stated therein. Therefore, Exs.P58 and P60 do not by themselves establish the prosecution case. Exhibit P59 is the FIR. The FIR is admissible to prove the fact of registration of the case and the earliest version of the prosecution. It is not substantive evidence of guilt.

27. So far as Section 420 IPC is concerned, there is absolutely no evidence of deception or dishonest inducement at the inception of any transaction. The Hon'ble Supreme Court has consistently held that to make out cheating, the dishonest intention must exist at the very beginning; mere suspicion or later conduct is insufficient. No complainant-victim of cheating has been examined here, and no specific transaction of deception has been proved. Hence, Section 420 IPC is not attracted.

28. The prosecution also faces a legal difficulty under the special enactment i.e. Section 5 of the Karnataka Prohibition of Charging Exorbitant Interest Act, 2004 in matters under Sections 3 and 4. In the present case, no debtor has approached the Court, and no debtor evidence is forthcoming. Even if one were not to rest the entire matter solely on Section 5, the complete absence of debtor proof makes conviction under the special Act wholly unsafe. The prosecution has failed to establish the nexus between the seized articles and the alleged offence. Mere recovery of blank cheques, RC books, Forms No.29 and 30, and promissory notes, even if assumed to be true, does not by itself prove that the accused was carrying on money lending business or charging exorbitant interest.

29. The most material lacuna in the prosecution case is the non-examination of borrowers/debtors. The very foundation of offences under Sections 3 and 4 of the Karnataka Prohibition of Charging Exorbitant Interest Act, 2004 rests upon proof of existence of loan transactions, identity of borrowers, and charging of exorbitant interest. Criminal jurisprudence requires proof beyond reasonable doubt. The burden never shifts to the accused merely because he has not led defence evidence. For all these reasons, this Court is of the considered opinion that the prosecution has failed to prove the guilt of the accused beyond all reasonable doubt for the offences punishable under Sections 3 and 4 of the Karnataka Prohibition of Charging Exorbitant Interest Act, 2004 and Section 420 IPC and thus it failed to prove the allegations with cogent evidence. The Hon'ble Supreme Court in **State of Uttar Pradesh V/s Krishna Gopal reported in (1988)**

4 SCC 302 held that "a person has, no doubt, a profound right not to be convicted of an offence which is not established by the evidential standard of proof beyond reasonable doubt". As the prosecution failed to prove the guilt of the accused with cogent evidence, the accused must given with the benefit of doubt. Therefore this Court answered Point Nos.1 to 3 in the **Negative**.

30. **Point No.4**: In view of finding given on point Nos.1 to 3 and acting U/s.248(1) of Cr.P.C, this Court proceeds to pass the following:

O R D E R

Accused is found not guilty and he is hereby acquitted of the offence punishable under Sections 3 and 4 of the Karnataka Prohibition of Charging Exorbitant Interest Act, 2004 and Section 420 IPC.

Bail bonds and surety bonds shall stand canceled after competition of appeal period.

(Dictated to the Stenographer, directly to the Computer and corrected and pronounced by me in the open court on this the **27th day of March 2026**)

Ganesha N
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Date: 2026.04.02 16:18:12 +0530

(GANESHA.N)
Prl. Civil Judge & J.M.F.C.
Gowribidanur

ANNEXURE

List of witnesses examined on behalf of the prosecution:

P.W.1	:	Nayaz Baig
P.W.2	:	Khalil
P.W.3	:	Pyarejan
P.W.4	:	Krishna
P.W.5	:	Ashwathappa.D.N.
P.W.6	:	Nagesh
P.W.7	:	K.N.Inayathulla
P.W.8	:	Ravindra Reddy
P.W.9	:	Lalithamma
P.W.10	:	Manjunath
P.W.11	:	Sridhar Y.K

<u>List of documents marked on behalf of the prosecution:</u>

Ex.P.1	:	Mahazar dated 03.07.2015
Ex.P.2	:	Complaint
Exs.P.3 to 9	:	Photographs of the two-wheelers
Exs.P.10 to 22	:	Clank cheques
Ex.P.23	:	E-stamp bond paper
Ex.P.24	:	Cheque slip
Exs.P.25 to 37	:	Registration Certificate books of vehicles
Exs.P.38 to 52	:	Forms No.29 and 30
Exs.P.53 to 56	:	Blank on-demand promissory notes and receipts
Ex.P.57	:	Stamp paper
Ex.P.58	:	Statements of P.W.8
Ex.P.59	:	First Information Report
Ex.P.60	:	Statements of P.W.10

<u>List of Material Objects marked on behalf of the prosecution</u>:

- NIL -

<u>List of witnesses examined on behalf of the accused:</u>

- NIL -

<u>List of documents marked on behalf of the accused:</u>

- NIL -

<u>List of Material Objects marked on behalf of the accused</u>:

- Nil -

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(GANESHA.N)
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