IN THE COURT OF THE MUNSIFF OF PAYYANNUR

Present: Smt.Greeshma.A.S, Munsiff, Payyanur

Monday, the 30th day of March, 2026

(09th day of Chaithra, 1948)

ORIGINAL SUIT No.171 OF 2024

	Canara Bank, Mathamangalam branch represented by its Manager and Principal Officer.]	Plaintiff
	Vs.	
1.	M/s.NAS Buildingware, Near Maniyara Road, Mathamangalam represented by its Proprietor, Valsarajan.P, aged 49 years, S/o.V.Kunhikannan, residing at V R Nivas, Kundayamkovval, P.O.Kankol, Payyannur Taluk, Kannur District-670 307.]	Defendants
2.	Krishnan.V, aged 45 years, S/o.A.V.Krishnan, Vadakkedath House, Kuttoor.P.O, M.M.Bazar-670 306, Payyannur Taluk, Kannur District.]	

This suit is coming on this day for hearing before me in the presence of Sri.V.Suresh Nambiar, Advocate for the Plaintiff; of Sri.Vinod Kumar.P and Sujitha Kumari.E.P, Advocates for the defendant No.1; defendant No.2 name called absent, set expate and the Court delivered the following:

J U D G M E N T

The suit is filed for recovery of money.

2. **The averments in the plaint in brief are as follows:-** The plaintiff is a Canara bank, Mathamangalam branch, a banking company constituted under the Banking Companies (Acquisition and Transfer of undertakings) Act 1970 having its head office at Bangalore, and represented by its Manager having its office at Mathamangalam.

3. The 1st defendant as the sole Proprietor of NAS Buildware, approached the plaintiff bank on 15.03.2018 for grant a loan to the tune of ₹10,00,000/- (Rupees Ten Lakhs only) under loan account No.42249450000102 for the purpose of meeting the working capital for his business. The 2nd defendant is agreed to stand as surety for the said loan. The plaintiff after due consideration of the said proposal granted ₹10,00,000/- (Rupees ten Lakhs). The said loan was to carry an interest at the rate of 12.35% per annum. The defendants have agreed all the terms and conditions of the said loan and the 1st defendant executed a Composite Hypothecation agreement in favour of the plaintiff bank on 15.03.2018. In addition to this the 2nd defendant has executed a guarantee agreement in favour of the plaintiff bank on the same date. Plaintiff bank had disbursed the said amount to the defendant on 15.03.2018. The present applicable rate of interest for the loan is 12.35% per annum compounded monthly rest as per the direction of the Reserve bank of India. The defendants are liable to repay the loan amount with intersect due to the bank. As per the terms and conditions of the agreement, the defendant is liable to repay the loan amount with interest.

4. Again the defendant has applied for an additional 2nd loan of ₹1,00,000/- from the plaintiff bank on 11.11.2021 for the purpose of covid support to run his hardware shop. After sanctioning the loan as per loan account No. 170001894868 the defendant had executed an Agreement cum deed of Hypothecation agreement in favour of the Plaintiff bank for ₹1,00,000/-. The defendant agreed to pay interest on the amount at the rate of 9.25.% per annum failing which the interest which remains unpaid shall be added to the loan amount and shall be treated as principal amount total. The interest payable by the borrower is subject to the changes in the interest rate made by the RBI from time to time. The borrower further agrees to pay

overdue interest at 2% per annum or such other rate as fixed by the bank from time to time on the amounts overdue in case of default. The rate of interest now applicable to the loan and that claim in this suit is 9.25% per annum, compounded monthly.

5. The 1st loan amount of ₹10,00,000/- should be repaid by the borrower to the plaintiff bank in monthly installments.

6. Under the 2nd loan, the 1st defendant is entitled to a moratorium of 12 months from the date of 1st granting of financial assistance under the term loan working capital limit/loan and it shall be repaid by the defendant to the plaintiff bank in 48 equated monthly installment.

7. The Bank is following the prudential accounting norms as per the guidelines issued by RBI from time to time. In the normal course, interest as and when it falls due is debited to borrowers' account. This interest is treated as income in the hands of the Bank. Whenever an account becomes irregular and no payment is made by the borrower, there is no actual income. In such cases, the RBI has instructed the bank not to debit interest since it would show an income not actually derived during that period. This does not and cannot in law take away the right of the bank from claiming interest issued by RBI are not to benefit the defaulting borrower or contemplate waiving of interest, but merely present an accounting procedure. The bank has introduced the RBI guidelines regarding several of realized portion of interest entries already debited to such accounts classified as non performing assets from November, 2002. While reversing the interest debited, entries have to be made on the credit side but it does not mean that the borrower has actually made the payment. After the execution of the loan agreement under the 1st loan, the said loan was re-structured and the defendants were executed a Debt restructuring agreement in favour of the plaintiff bank on 02.12.2020 and

subsequently the 1st defendant has executed an acknowledgment of debt in writing on 15.11.2023. By this date of debt restructure agreement and acknowledgment debt, the 1st loan is not barred by limitation.

8. Notwithstanding the liability so undertaken by the defendants, neither the 1st defendant or the surety have repaid the loan amount as agreed. After the execution of the agreement, the defendants have made some payments in both loans. Those payments have been already credited in the ledger maintained by the Plaintiff bank. The balance amount now claimed in the suit is as per the ledger extract maintained by the Plaintiff bank which is produced as a document along with this Plaint. The total amount shown in the ledger under inclusive of interest up to 02.08.2024 under 1st loan and 11.08.2024 under the 2nd loan. Subsequent interest under the both loans are added in the plan.

9. As the defendant has not discharged the liability undertaken by him the Plaintiff bank has demanded the repayment of the entire loan amount from the defendant on several occasions. Finally on 30.07.2024 the Plaintiff bank has issued registered lawyer notice to the defendant demanding the repayment of the loan amounts. The defendants received the said notice and not paid the loan amount or even sent any reply to the said notice. Inspite of all these attempts made by the Plaintiff bank, the defendant has not discharged the loan amount. Hence this suit.

10. Defendant entered appearance and filed written statement conceding the plaint claim and prayed for granting one year time for repayment of money.

11. When the plaintiff was called upon to establish its case, the plaintiff was present and he was examined as PW1. He filed proof affidavit in lieu of the chief examination in tune with the plaint averments. He has

produced Ext.A1 to A19 to support his case. Ext.A1 to A19 were marked. Ext.A1 is the composite hypothecation agreement, Ext.A2 is the guarantee agreement, Ext.A3 is the application to the branch for restructuring under RBI guidelines, Ext.A4 is the draft letter of undertaking from the borrower, Ext.A5 is the appendix – 6 TO HO CIR 234/2020, Ext.A6 is the debt restructuring agreement, Ext.A7 is the acknowledgment of debt, Ext.A8 is the sanction memorandum, Ext.A9 is the agreement cum deed of hypothecation, Ext.A10 is the agreement cum deed of hypothecation, Ext.A11 is the letter of undertaking, Ext.A12 is the acknowledgment of debt and security, Ext.A13 is the copy of lawyer notice, Ext.A14 is the copy of lawyer notice, Ext.A15 to Ext.A17 are the acknowledgment cards, Ext.A18 is the statement of account, Ext.A19 is the statement of account. The evidence of PW1 and the documents produced by him remain unchallenged. Hence, I find that the plaintiff bank has established its case and is entitled to a decree as prayed for.

In the light of the admission, the suit is decreed with costs as follows:-

1) Defendants are directed to pay sum of ₹7,45,401/- (Rupees Seven lakh forty five thousand four hundred and one only) to the plaintiff bank with future interest at the rate of 9% per annum from the date of the suit till the date of realization.
2) Defendants are directed to pay sum of ₹95,912/- (Rupees Ninety five thousand nine hundred and twelve only) to the plaintiff bank with future interest at the rate of 9% per annum from the date of the suit till the date of realization.
3) The defendants are granted one year time from this date to repay the loan amount.

4) The defendants shall pay costs of the proceedings to the plaintiff at concessional scale.
5) Plaintiffs shall be entitled to realise the amount from the defendants personally and from their assets.

(Dictated to the Confidential Assistant, transcribed and typed by her, corrected and pronounced by me in open court, this the 30th day of March, 2026).

Sd/-
MUNSIFF.

Plaintiff's Exhibits:-

A1	15.03.2018	Composite Hypothetication Agreement
A2	15.03.2018	Guarantee Agreement
A3	02.12.2020	Application to the Branch for restructuring under RBI guidelines of 11.02.2020
A4	02.12.2020	Draft letter of undertaking from the borrower/Coobligant for restructuring
A5	02.12.2020	Appendix-6
A6	02.12.2020	Appendix-6 A
A7	15.11.2023	Acknowledgement of debt and security
A8	11.11.2021	Sanction Memorandum
A9	04.11.2021	Agreement cum deed of Hypothecation
A10	….	Agreement cum deed of hypothetication
A11	11.11.2021	Letter of under taking
A12	20.02.2024	Acknowledgement of debt and security
A13	29.07.2024	Copy of Lawyer Notice
A14	30.07.2024	Copy of Lawyer Notice
A15	01.08.2024	Acknowledgement Card
A16	...	Acknowledgement Card
A17	01.08.2024	Acknowledgement Card

A18	…	Statement of Account
A19	…	Statement of Account

Plaintiff's Witness:-

PW1 : Shinija.V.P

Defendant's Exhibit and Witness :- Nil

Sd/-
MUNSIFF.