



WRIT PETITION Nos.22598 & 22496 of 2024

W.P.No.22598 of 2024

Darabattula Nagaraju

...Petitioner

Vs.

The Union Of India and Others

...Respondent(s)

Advocate for Petitioner:

LEO LAW ASSOCIATES LLP

Advocate(s) for Respondent(s):

S SATYANARAYANA MOORTHY, ,
GP FOR REGISTRATION AND
STAMPS

**CORAM : THE CHIEF JUSTICE DHIRAJ SINGH THAKUR
SRI JUSTICE R RAGHUNANDAN RAO**

DATE : 23rd April 2026

P C :**(per Hon'ble Sri Justice R. Raghunandan Rao)**

Heard Mr. Gadipudi Venkateswarlu for LEO Law Associates LLP, appearing for the petitioner in W.P.No.22598 of 2024 and Mr. S. Satyanarayana Moorthy, learned counsel for the petitioner in W.P.No.22496 of 2024 and Mr. Josyula Bhaskara Rao, the learned counsel appearing for the 7th respondent in W.P.No.22598 of 2024 and for the 1st respondent in W.P.No.22496 of 2024.

2. The petitioner in W.P.No.22496 of 2024 is a scheduled bank and the petitioner in W.P.No.22598 of 2024 is an auction purchaser of a property that was sold by the petitioner-bank, under the SARFAESI Act proceedings. The parties herein would be referred to as the petitioner and the bank.

3. The bank, had earlier advanced certain financial facilities to certain third parties to the Writ Petition. As their accounts had become non-performing assets, proceedings under the SARFAESI Act were initiated and culminated in an auction sale conducted on 12.07.2024, for four immovable properties as described in the e-auction sale notice, dated 12.07.2024. The petitioner was the successful bidder as he had bid an amount of Rs.3,47,00,000/- for the said property. As per the terms of the e-auction, the petitioner had transferred a sum of Rs.87,30,000/- towards part consideration after which the authorized officer of the bank issued a sale confirmation advise, dated 12.07.2024, confirming receipt of the amount with

further instructions to pay the remaining balance sale consideration by 29.07.2024. The petitioner sought extension of time for payment of balance sale consideration, by way of representation, dated 25.07.2024. The authorized officer of the bank had then granted a further period of 90 days from 12.07.2024 to the petitioner, by way of a communication, dated 29.07.2024.

4. At that stage, the property in question was provisionally attached by respondent No.7-Directorate of Enforcement, under the provisions of Prevention of Money Laundering Act, 2002 by way of an order, dated 30.07.2024. The petitioner having come to know of the said attachment, had approached the authorized officer of the bank, by way of a representation, dated 09.08.2024, seeking a clarification as to the steps being taken for raising the said attachment so that the petitioner could pay the balance sale consideration.

5. The Authorized Officer of the bank, came up with a curious reply stating that of the bank was not responsible for any discrepancies in the property etc., and called upon the petitioner to deposit the balance sale consideration by 09.10.2024, failing which, the amount which had already been remitted would be forfeited. Thereafter, there were various communications between the petitioner and the bank regarding the status of the property and the effect of the provisional attachment carried out by the Enforcement Directorate. A development which requires to be noticed is the

communication of the Joint Sub-Registrar-I, Bhimavaram, who addressed a letter, dated 17.09.2024, to the Authorized Officer, informing him that the property auctioned in favour of the petitioner had been attached and the said property was now blocked electronically due to which further registrations would not be done in respect of the said property.

6. As the bank was pressuring the petitioner for payment of the balance sale consideration, he has approached this Court by way of W.P.No.22598 of 2024 seeking the intervention of this Court for a declaration that the entire auction process has become redundant on account of the provisional attachment order, dated 30.07.2024, and for a direction to the bank officials to take steps for raising the attachment of the auction properties or to alternatively refund the advance balance sale consideration of Rs.87,30,000/- which had been deposited by the petitioner along with interest at the rate of 24% per annum till realization.

7. The bank had also approached this Court, by way of W.P.No.22496 of 2024, on the ground that the provisional attachment of the property by the Enforcement Directorate was not valid inasmuch as the provision of the SARFAESI Act would have precedents over the PMLA and more specifically Section 26-E give precedence to the secured creditors over State dues.

8. The bank sought a direction for registration of the sale certificate, transferring the auction property to the petitioner in W.P.No.22598 of 2024, subject to the said petitioner paying the balance sale consideration.

9. It is clear that there were two claims over the said property. The first claim is the claim of the bank on the ground that it had been mortgaged to the bank and that the bank was entitled to sell the property, under the provisions of the SARFAESI Act, for recovery of its dues. The second claim is the claim of the Enforcement Directorate, under the provisions of the Prevention of Money Laundering Act, 2002 inasmuch as the said property is said to be “proceeds of the crime” which are liable for attachment and confiscation.

10. We do not propose to go into the question of the priority of debt in the present case. We would only point out that the provisions of SARFAESI Act namely Section 26-E and Section 31-B of the DRT Act give priority to the dues of the secured creditors as opposed to the dues of the State. However, the question would still remain as to whether the claim of the State, under the Prevention of Money Laundering Act can be treated to be a debt of the Government.

11. This issue is best left open for a better case. The present set of Writ Petitions can be disposed of on the short ground that the communication of the Joint Registrar, dated 17.09.2024, clearly states that no transaction can

be registered in relation to the said property. Further, the A.P. Amendment to the Registration Act, namely Section 22-C, clearly prohibits transfer of any property or registration of such transfer, when such property has been attached by an order of a Court, Tribunal or any other Authority under a Central Act or State Act. In the present case, the provisional attachment made by the Enforcement Directorate would fall squarely within the ambit of this provision.

12. In these circumstances, it is clear that there can be no transfer of property in favour of the petitioner, until the provisional attachment of the property, by the Enforcement Directorate, is resolved either way.

13. In such circumstances, it would clearly be unfair to the petitioner to wait for such issues to be resolved after having parted with a substantial sum of Rs.87,30,000/- as the minimum initial deposit.

14. In similar circumstances, the Hon'ble Supreme Court in the case of **Govind Kumar Sharma and Another vs. Bank of Baroda and Ors.**,¹ had directed reversal of auction /sale by setting aside the said auction/sale and directing restoration of *status-quo*, apart from directing return of the sale money to the auction purchaser with interest @12% p.a from the date of payment till date of repayment.

¹ 2024 SCC Online SC 559

15. We are of the view that the same order would suffice in the interest of justice.

16. Accordingly, these Writ Petitions are allowed with the following directions:

- 1) The auction sale conducted on 12.07.2024 is set-aside;
- 2) The bank shall pay the petitioner, in W.P.No.22598 of 2024, the sum of Rs.87,30,000/- along with interest @ 12% p.a from the date of payment by the petitioner to the bank till the said amount is repaid;
- 3) The aforesaid repayment shall be completed within a period of four weeks from the date of receipt of this order.

As a sequel, pending miscellaneous petitions, if any, shall stand closed.

DHIRAJ SINGH THAKUR, CJ

R RAGHUNANDAN RAO, J

RJS

HON'BLE MR. JUSTICE DHIRAJ SINGH THAKUR, CHIEF JUSTICE

&

HON'BLE SRI JUSTICE R. RAGHUNANDAN RAO

W.P.Nos.22598 of 22496 of 2024

(per Hon'ble Sri Justice R.Raghunandan Rao)

23.04.2026

RJS