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

\+ W.P.(C) 15166/2024 & CM APPL. 63576/2024, CM APPL. 53504/2025

SAMEER KHANNA & ORS. .....Petitioner

Through: Mr. Hrishikesh Baruah, Sr. Adv. with Mr. Shubham Agarwal, Mr. Gaurav Vig, Advs.

versus

PUNJAB NATIONAL BANK & ANR. .....Respondent

Through: Mr. VP Singh, Mr. Akshat Singh, Mr. Utkarsh Kandpal, Advs.

CORAM:
HON'BLE MR. JUSTICE JASMEET SINGH

<u>O R D E R</u>

% 28.07.2026

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

> *"a) Issue a Writ, Order or Direction in the nature of Certiorari or any other Writ, Order or Direction thereby calling upon the Respondents to produce the records of the case and thereafter quash /set-aside the declaration of the present Petitioners as a 'Fraud' in terms of the Master Circular on Fraud dated 01.07.2016 (updated as on 03.07.2017) and for setting aside/ quash all consequential steps undertaken by the Respondent No. 1; and*
>
> *b) Issue a Writ, Order or Direction in the nature of Certiorari or any other Writ, Order or Direction thereby*

calling upon the Respondents to produce the records of the case and thereafter Quash/Set aside the declaration of the present Petitioners as a 'Wilful Defaulter' in terms of the Master Circular on Wilful Defaulters dated 01.07.2014 (updated as on 07.01.2015) and for setting aside/quash all consequential steps undertaken by the Respondent No. 1; …"

2. The brief facts of the case are that the company namely, M/s Metaphor Exports Pvt. Ltd. ***("Company")***, incorporated on 13.03.2001, is a private limited company which availed credit and loan facilities from respondent No. 1 bank on 24.07.2026, which were renewed and enhanced from time to time, *vide* Letters dated 27.02.2008, 07.09.2009, 27.04.2010 and 23.01.2012. In availing of the said credit and loan facilities, the petitioners who were directors of the Company stood as personal guarantors.

3. Consequently, due to adverse business conditions the account of the company was declared as a Non performing asset on 30.03.2014 by the respondent No. 1 and subsequently, CIRP proceedings were initiated against the company *vide* order dated 19.01.2018 passed by the NCLT, New Delhi, followed by the order of liquidation dated 18.03.2019.

4. The petitioners were declared as fraud on 29.06.2019 and as willful defaulters on 03.11.2021.

5. Admittedly, the petitioners were declared as fraud without complying with the principles of natural justice, as no show-cause notice was served, no documents were provided, and no replies were sought from

the petitioners before declaring the petitioners as fraud.

6. Subsequently, the petitioners were declared willful defaulters based on the fact that the petitioners had already been declared a fraud.

7. The judgment of the Hon'ble Supreme Court in ***SBI v. Rajesh Agarwal, (2023) 6 SCC 1***, and as clarified subsequently, states that though there is no right of a personal hearing, the principles of natural justice need to be followed before declaring a person/entity as a fraud.

8. The declaration of fraud is an action entailing serious consequences creating severe hardships and also affecting the credibility of the person.

9. Though the respondents are very much within their rights to take appropriate proceedings for declaring a person as a fraud and a willful defaulter, the fact remains that the principles of natural justice, which is the golden thread, embodying the *Audi Alteram Partem* doctrine, cannot be ignored.

10. Since in the present case, principles of natural justice have not been complied with, the declaration of fraud dated 29.06.2019 and willful defaulter dated 03.11.2021 are hereby quashed and set aside.

11. However, nothing prevents the respondent No. 1 bank from proceeding against the petitioners in accordance with law.

12. The future communications to the petitioners shall be sent to the address mentioned in the cause title of the present petition.

13. The petition is disposed of in the aforesaid terms, along with pending applications.

JASMEET SINGH, J

JULY 28, 2026/sp