IN THE HIGH COURT OF GUJARAT AT AHMEDABAD

R/LETTERS PATENT APPEAL NO. 123 of 2014

In R/SPECIAL CIVIL APPLICATION/7510/1999

With
R/LETTERS PATENT APPEAL NO. 417 of 2014
In
R/SPECIAL CIVIL APPLICATION NO. 5304 of 1999

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STATE BANK OF INDIA
Versus
BANK OF BARODA & ORS.

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Appearance:
MS DHARMISHTA RAVAL(707) for the Appellant(s) No. 1
MR KETAN I ACHARYA(2415) for the Respondent(s) No. 3
MR NIRAV C SANGHAVI(5950) for the Respondent(s) No. 2
MRS B K ACHARYA(5159) for the Respondent(s) No. 3
MR VIMAL PATEL, for the Respondent No.1
MS NITA U BHATT(179) for the Respondent(s) No. 1
MR KUNAL VAISHNAV, ADVOCATE FOR SNB ASSOCIATES(20131) for the Respondent(s) No. 4

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CORAM:**HONOURABLE THE CHIEF JUSTICE MRS. JUSTICE SUNITA AGARWAL**
and
HONOURABLE MR.JUSTICE D.N.RAY

Date : 05/08/2026

COMMON ORAL JUDGMENT
(PER : HONOURABLE THE CHIEF JUSTICE MRS. JUSTICE SUNITA AGARWAL)

1. Both the Letters Patent Appeals are arising out of a common judgment and order dated 19.08.2013 passed by the learned Single Judge, they have been heard together and are being decided by this common judgment, with the consent of learned counsel for the parties.

2. Having heard learned counsel for the parties and perused the record, as well as going through the judgment and order dated 19.08.2013 passed by the learned Single Judge, we reach at the conclusion that there is no merit in both the appeals, filed by the State Bank of India, the Manager of the clearing house, in view of the reasoning given in paragraph – '16' of the judgment impugned, which reads as under:

> *"16. In view of the aforesaid observations and discussions, the impugned action of the respondent SBI of debiting the amount and charging interest thereof in the account of the concerned petitioner Bank pertaining to the concerned instruments is quashed and set aside with the direction to the respondent SBI to reverse the entry by giving credit of the amount with the further observation that the respondent SBI will be at the liberty to debit the amount in the account of respondent no.2 Bank. On the aspect of interest, for the period during which the amount remained as debit entry in the account of the concerned petitioner Bank, it is observed that the settled norms of Bank rate interest as prevailing from time to time shall be given credit by respondent no.2 Bank in the account of the concerned petitioner Bank and consequently, it would also be open to respondent SBI to debit such amount in the account of respondent no.2 Bank. It is also clarified that upon debit entry so made in the account of respondent no.2 Bank, the respondent SBI in capacity as the manager*

of the clearing house, shall be at the liberty to recover the amount from the respondent no.2 Bank in accordance with law.”

3. The reliance placed upon the reference to Rule 11 of Uniform Regulations and Rules for Bankers Clearing House (URR-BCH), to support the submissions of the appellant – bank that the appellant – bank was under an obligation to settle the accounts being the manager of the clearing house, is wholly misplaced, inasmuch as, reading of Rule 11 shows that it only refers to the liability of the defaulting bank and the actions against such bank, which, in no case, can be invoked against a member bank namely, the Bank of Baroda. Moreover, the reply given by the RBI vide communication dated 08.09.2003 with reference to the dispute between banks as regards recovery of an amount involved in the fake/forged/lost instruments presented in clearing, is a straight answer to the issues raised herein.

4. The said stand of the RBI has been given due credence by the learned Single Judge while returning the findings in paragraph – ‘16’ for allowing the writ petition, quashing the action of the appellant – bank of debiting from the account of

the petitioners, namely Bank of Baroda [erstwhile Vijaya Bank], as a clearing house banker and creating an overdraft of Rs.40 lakhs plus interest in the accounts maintained by it as a clearing house banker in the name of the petitioners' bank.

5. The directions issued by the learned Single Judge directing the appellant – State Bank of India to reverse the entry by giving credit of the amount with the further observation that the respondent – State Bank of India will be at liberty to debit the amount in the account of respondent No.2 – bank [i.e. Veraval Ratnakar Co-operative Bank] cannot be said to suffer from any error of law.

6. With the above, the present appeals stand dismissed. No order as to costs. Interim order, if any, stands vacated forthwith.

(SUNITA AGARWAL, CJ)

(D.N.RAY,J)

A. B. VAGHELA