



WP.No.19596 of 2023

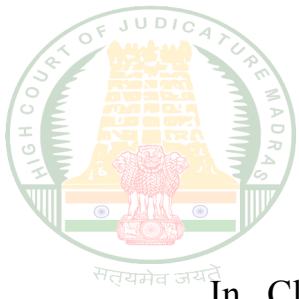
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N.SESHASAYEE.J.,

The petitioner had availed a certain credit facility under 'Guaranteed Emergency Credit Line Loan' (GECL scheme) promoted by the second respondent. The first respondent is a nodal agency through which amounts were advanced to the petitioner. While so, the petitioner transferred the loan liability from the first respondent, M/s.Canara Bank to M/s.Federal Bank. However, when the loans were advanced by the first respondent herein, the petitioner had offered certain title documents as collateral securities. In view of this transfer of loan from the first respondent to M/s.Federal Bank, the petitioner sought return of title documents from the first respondent. The first respondent however vide its communication dated 29.04.2023, required the petitioner to pay penal charges at 2% for pre-closure of term loan.

2.1 The learned counsel for the petitioner submitted that GECL scheme was floated by the second respondent and it has provided two guidelines for the purpose, the first on 30.03.2022 and the second on 06.10.2022.



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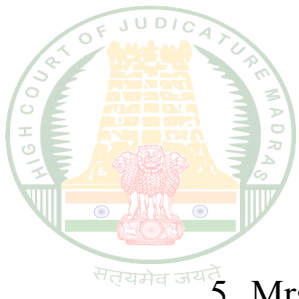
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In Clause 10(1) of the first mentioned guideline, it is specified that no pre-payment penalty shall be charged on early repayment. The second guideline also carries the same in Clause 10(1)(xiv).

2.2. The learned counsel submits that since as per the guidelines of the second respondent, no pre-closure penalty is chargeable, the very claim of the bank is bad in law as it is not in conformity with the guidelines.

3. The counsel for the first respondent seeks time to file her objection. The second respondent is yet to be served.

4. Explaining the urgency, the learned counsel for the petitioner submitted that inasmuch as the security offered by the petitioner still continue to be under the control of first respondent-Bank, the transfer of loan liability from it to the Federal Bank notwithstanding, it is essential that the first respondent hands over the documents as the petitioner's commercial interest and ability to exploit its asset is jeopardised.



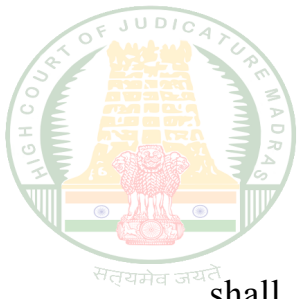
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5. Mrs.S.R.Sumathy, learned counsel appearing for the first respondent-Bank submitted on instructions that there is a difference between pre-mature closure of loan account and transfer of loan to another bank. And so far as the guidelines are concerned, they only deal with pre-closure of liability and not transfer of liability.

6. The Court is now required to balance the interest of both parties presently.

7. The first respondent-Bank is only concerned about the penalty charges at 2%, whereas the petitioner states otherwise. But the petitioner still requires its title documents, for its availability with the petitioner will help in raising further funds with it. In this circumstances, this Court now directs the petitioner to either deposit what the first respondent terms as pre-closure penalty, in cash to the first respondent-Bank, (which may be retained by the first respondent-Bank in the suspense account) or offer a bank guarantee for the outstanding amount sought by the first respondent. Upon receipt of either of the which, the first respondent



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shall release the title documents forthwith to the petitioner and also cancel the MODT.

8. Notice to the second respondent returnable by 14.08.2023. Private notice is also permitted. The first respondent is granted four weeks time to file its counter. Post the matter on 14.08.2023.

10.07.2023

ds

Note : Issue order copy on 11.07.2023



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