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O.S.A.No. 47 of 2022



IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED : 06.04.2026

Coram:

THE HONOURABLE MR. JUSTICE P.VELMURUGAN
and
THE HONOURABLE MRS. JUSTICE K.GOVINDARAJAN THILAKAVADI

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M/s.A & A International Trading Private Ltd.,
Rep. by its Managing Director,
M.Saikumar,
having its registered office at
No.6-5/140, Kaviarasu Kannadasan Nagar,
Kodungaiyur, Chennai – 600 118.

... Appellant

Vs.

1. Tamilnad Mercantile Bank Ltd.,
Rep. by its Branch Manager,
Old No.82, New No.213 and 215, Thilaga Towers,
Ground Floor, Madhavaram High Road,
Perambur, Chennai – 600 011.
2. Tamilnadu Mercantile Bank Ltd.,
Rep. by its Branch Manager,
Sipcot Branch, No.97H-30, Palayamkottai Road,
Thoothukudi – 628 008.
3. M/s.S.M.Ram Coal Importers Private Limited,
Rep. by its Director S.Ramar,
No.93C/6Y/B1, Palayakottai Road,
West Teachers Colony Junction,
Thoothukudi – 628 008.

... Respondents



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Prayer: This Original Side Appeal has been filed under Order XXXVI Rule 1 of Madras High Court Original Side Rules r/w Clause 15 of Letters Patent Act, to set aside the judgment and decree dated 12.12.2019 made in C.S.No.487 of 2019 by this Court.

For Appellant : Mrs.Chitra Sampath, Senior Counsel
for Mr.Ralph V.Manohar

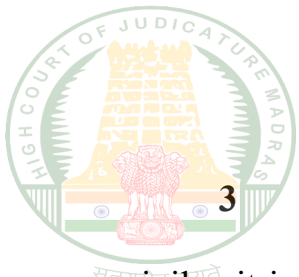
For Respondents : Mr.V.Chandrasekaran for RR1 & 2
No Appearance - R3

JUDGMENT

(Judgment of the Court was made by P.VELMURUGAN, J.)

This Court vide its order dated 16.03.2026 directed the first respondent to deposit the entire amount representing the suit claim along with interest to the credit of C.S.No.487 of 2019 on or before 30.03.2026.

2 Today, when the matter is called for hearing, the learned counsel for the respondents filed a memo stating that as against the order dated 16.03.2026, an appeal has been filed before the Hon'ble Supreme Court and steps are being taken to bring the appeal for hearing at the earliest and on that ground, sought adjournment, but they neither gave SR number, nor produced any order of stay. Despite the facts being so and the matter was listed for final hearing, the order of this Court dated 16.03.2026 has not been complied with. Therefore we are inclined to dispose of the appeal on merits.



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3 The appellant is the plaintiff and the respondents are the defendants in the civil suit in C.S.No.487 of 2019. The appellant/plaintiff filed the suit to (a) reverse the entire amount together with interest under the various fixed deposit receipts and to consequently to direct the first respondent/D1 to issue fresh fixed deposit receipts in lieu of the above mentioned closed fixed deposit receipts along with the accrued interest from the original date of deposit in the name of the plaintiff. In the alternative (b) the plaintiff also prayed to direct the third defendant to pay the total amount of Rs.4,88,79,282/- to the plaintiff along with future interest at the rate of 24% per annum from the date of plaint till the date of realization.

4 The learned Single Judge of this Court passed an ex-parte judgment on 12.12.2019 granting the alternative prayer directing the third defendant to pay the total amount of Rs.4,88,79,282/- along with future interest @ 24% per annum. Aggrieved against the granting of alternative relief instead of granting primary relief, the plaintiff is before this Court with this Original Side Appeal.

5 According to learned Senior Counsel for the appellant/plaintiff the appellant is a Private Limited Company duly registered under the Company's Act and is involved in the business of importing coal from abroad and supply to its customer in



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India. In the course of the business, the appellant supplied coal worth Rs.4,64,61,676/- to the third defendant on various dates from September 2017 and December 2017. The sale consideration is payable by the third defendant by clean bills through its banker viz. the second defendant, who had enough collateral security of the third defendant. The plaintiff discounted the bills with its banker viz. the first defendant with all relevant documents for the clean bills raised and the first defendant forwarded those documents to the second defendant and after obtaining confirmation from the second defendant, appellant's banker viz. the first defendant, discounted the clean bills and as per the instruction of the appellant/plaintiff, proceeds were given credited to the appellant's current account and the same has also been converted into Fixed Deposits.

5.1 The learned Senior Counsel contended that without the knowledge or authorisation of the appellant, the first defendant closed the Fixed Deposits and adjusted the same towards the money payable by the third defendant. It is the liability of the third defendant to clear all the clean bills raised by the plaintiff for the goods supplied to the third defendant and the appellant/plaintiff cannot be penalised for liability of the third defendant. Therefore the act of the first defendant foreclosing the Fixed Deposits without any intimation or permission or authorisation of the appellant, is gross violation of the Banking Law.



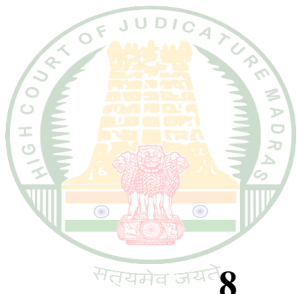
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5.2 Therefore it is clear that for the liability of the third defendant, the first defendant, in collusion with the second defendant, foreclosed the Fixed Deposits of the appellant and when the same was questioned by the appellant, there was no proper response from the first defendant. The learned Single Judge, without considering the nature and object of the transaction, instead of granting primary prayer, granted the alternative prayer by directing the third defendant to pay the amount to the appellant. The learned Single Judge failed to note that when there is an obligation on the third defendant towards the second defendant, it is the duty of the third defendant to fulfill the obligation and if there is any default, the second and first defendants have to recover the same from the third defendant only and not from the appellant.

6 Mr.V.Chandrasekaran, learned counsel for the respondents 1 and 2 would submit that the money belongs to the first respondent only and furthermore in the Fixed Deposits receipts itself the appellant agreed for foreclosure and now they cannot come to Court with such a plea. Therefore the learned Single Judge has rightly directed the third defendant to pay the amount to the appellant/plaintiff and hence the appeal is liable to be dismissed.

7 Heard the learned counsel appearing on either side and perused the materials available on record.



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8 Admittedly there was business transaction between the appellant/plaintiff and the third respondent/D3. The first respondent/D1 is the banker of the appellant/plaintiff and the second respondent/D2 is the banker of the third respondent/D3. The third respondent/D3 has an obligation to clear the clean bills through its banker the second respondent/D2. The appellant/plaintiff discounted the clean bills to its banker the first respondent/D1, who in turn submitted the necessary documents to the second respondent/D2, who is the banker of the third respondent/D3 and after obtaining approval from the second respondent/D2, the first respondent/D1 discounted the clean bills and converted the proceeds as Fixed Deposits as instructed by the appellant/plaintiff. Since the third respondent/D3 had not fulfilled its requirement, the first respondent/D1 unilaterally foreclosed the FDs stood in the name of the appellant/plaintiff and adjusted the same towards the money payable by the third respondent/D3, which according to the appellant is gross violation of banking law.

9 Even though, as contended by the learned counsel for the respondents 1 and 2, the money is belong to the first respondent, before foreclosing the FDs, the first respondent should have intimated the same to the appellant/plaintiff, on whose favour the FDs stood. There is no materials to show that the first respondent/D1, before



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foreclosing the FDs, intimated the same to the appellant/plaintiff or made any demand. It is not the case of the first respondent/D1 that despite their demand, the appellant/plaintiff did not respond. Therefore the unilateral foreclosure of the FDs by the first respondent/D1 is illegal and the learned Single Judge has failed to consider this aspect.

10 Furthermore, it is seen that the decree passed by the learned Single Judge is only an ex-parte decree. Now the first respondent/D1 and the second respondent/D2 have entered appearance through counsel. Hence we are inclined to remit the matter back to the learned Single Judge to conduct the trial afresh and decide the matter on merits.

11 For the foregoing reasons and observations, the judgment and decree passed by the learned Single Judge in C.S.No.487 of 2019 dated 12.12.2019 is hereby set aside. Mr.V.Chandrasekaran, learned counsel for the respondents 1 and 2 is directed to file written statement within a reasonable time and on filing of such written statement, the learned Single Judge is directed to frame issues and conduct trial and decide the matter on merits in accordance with law. Further the first respondent is directed to restore the FDs till the disposal of the suit by the learned Single Judge and the learned Single Judge



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after ensuring the restoration of the FDs by the first respondent/D1, shall proceed further.

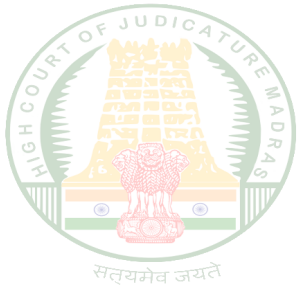
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12 With the above directions, the Original Side Appeal shall stand disposed of.

No costs.

[PVJ] [KGTJ]
06.04.2026

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P.VELMURUGAN. J.
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