HC-KAR
NC: 2026:KHC:47058
WP No. 4183 of 2026
CNR: KAHC010083612026

IN THE HIGH COURT OF KARNATAKA AT BENGALURU

DATED THIS THE 14TH DAY OF AUGUST, 2026

BEFORE

THE HON'BLE MR. JUSTICE SURAJ GOVINDARAJ

WRIT PETITION NO. 4183 OF 2026 (GM-RES)

BETWEEN:

1. SRI SANTHOSH KUMAR H V
C/O HA VIJAY KUMAR,
AGED ABOUT 36 YEARS,
R/T NO 114/2, 4TH MAIN ROAD,
POORNA PRAGNA LAYOUT,
BANASHANKARI 5TH STAGE,
BENGALURU - 560 061

2. BIO LIQUA RESEARCH PRIVATE LIMITED
REPRESENTED BY ITS MANAGING DIRECTOR
SRI. SANTHOSH KUMAR HV
O/T NO.114, 24TH MAIN ROAD
POORNA PRAGNA LAYOUT
BANASHANKARI 5TH STAGE
BANGALORE- 560 061

... PETITIONERS

(BY SRI. LEELARAJU M N., ADVOCATE)

AND:

1. RESERVE BANK OF INDIA
REPRESENTED BY ITS DIRECTOR.
O/T 18TH FLOOR, CENTRAL OFFICE BUILDING,
SHAHID BHAGAT SINGH ROAD,
MUMBAI-400 001.

2. AXIS BANK LIMITED,
REPRESENTED BY ITS BRANCH MANAGER,
HAVING ITS BRANCH OFFICE AT
49, UTTARAHALLI MAIN RD,
VAISHNAVI LAYOUT,
CHIKKALASANDRA,

BENGALURU,
KARNATAKA - 560 061.

... RESPONDENTS

(BY SRI. FRANCIS XAVIER, ADVOCATE FOR R2;
SRI PRADEEP SAVARKAR, ADVOCATE FOR R1,
V/O DATED 04.06.2026)

THIS W.P. IS FILED UNDER ARTICLES 226 AND 227 OF THE CONSTITUTION OF INDIA, PRAYING TO A. ISSUE A WRIT OF CERTIORARI OR ANY OTHER APPROPRIATE WRIT, ORDER OR DIRECTION, QUASHING THE ACTION OF RESPONDENT NO.2 IN FREEZING THE PETITIONER'S BANK CURRENT ACCOUNT BEARING NO.923020048750804 AND SAVINGS BANK ACCOUNTS BEARING NOS. 924010010586938 AND 924010010585702, MAINTAINED AT AXIS BANK LIMITED, UTTARAHALLI BRANCH, BENGALURU, AS BEING ARBITRARY, ILLEGAL AND UNCONSTITUTIONAL AND ETC.

THIS PETITION, COMING ON FOR PRELIMINARY HEARING IN 'B' GROUP, THIS DAY, ORDER WAS MADE THEREIN AS UNDER:

CORAM: HON'BLE MR. JUSTICE SURAJ GOVINDARAJ

<u>ORAL ORDER</u>

1. The petitioners are before this Court seeking for the following reliefs:

   a. *Issue a writ of certiorari or any other appropriate writ, order or direction, quashing the action of Respondent No.2 in freezing the Petitioner's bank Current Account bearing No.923020048750804 and Savings Bank Accounts bearing Nos. 924010010586938 and 924010010585702, maintained at Axis Bank Limited, Uttarahalli Branch, Bengaluru, as being arbitrary, illegal and unconstitutional;*

   b. *Issue a Writ of Mandamus or any other appropriate writ, order or direction, directing Respondent No.2, Axis Bank Limited to defreeze the bank accounts of the*

Petitioners, bearing the Current Account No. 923020048750804 and Savings Bank Accounts bearing Nos. 924010010586938 and 924010010585702, maintained at Axis Bank Limited, Uttarahalli Branch, Bengaluru and to permit the Petitioners to access and operate the said accounts for legitimate personal and business purposes

c. Declare the action of Respondent No.2 in freezing the entire bank accounts of the Petitioners as arbitrary, illegal and unconstitutional and consequently direct the Respondents not to impose blanket freezing of the Petitioner's accounts in the guise of alleged suspicious transactions;

d. Pass such other and further orders or directions as this Hon'ble Court may deem fit in the facts and circumstances of the case, in the interest of justice and equity.

2. Debit freeze had been imposed on the accounts of the Petitioners as under:

(i) Current Account bearing No. 923020048750804, and

(ii) Savings Bank Accounts bearing Nos. 924010010586938 and 924010010585702, maintained at Axis Bank Limited, Uttarahalli Branch, Bengaluru.

3. The matter had been referred to the Cyber Command since the police stations concerned were situated outside the territorial jurisdiction of Karnataka. The Cyber Command informed the Court that it would

take up the matter with the concerned police stations and obtain the necessary information.

4. In the meantime, Sri. Bhushan A. Shet, Bank Manager, took proactive steps and coordinated with the concerned Branches of the Respondent-Bank at the respective locations where the complaints had been lodged. The Branch Managers, in turn, coordinated with the concerned police authorities, obtained the requisite information and facilitated communication between the various stakeholders.

5. Pursuant to these efforts, the debit freeze imposed on all three bank accounts of the Petitioners has been lifted. A lien has been retained only to the extent of the amount in respect of which the complaints have been lodged, namely, Rs.3,875/-. The Petitioners have accordingly been permitted to operate all three bank accounts.

6. The prompt action taken by the Cyber Command and, more particularly, by the Branch Managers of the Respondent-Bank at the respective locations has substantially resolved the immediate grievance of the Petitioners. The manner in which the matter has been dealt with also demonstrates the importance of effective coordination between the investigating

agency and the banking institution in cases involving cyber offences and disputed electronic transactions.

7. This Court places on record its appreciation of the proactive steps taken by Sri. Bhushan A. Shet, Bank Manager. His coordination with the concerned Branches and authorities has materially contributed to the expeditious resolution of the grievance.

8. The present matter brings into focus an issue which is recurring in cybercrime investigations. The proceeds of an offence may move rapidly from the victim's account to one or more accounts and, in many cases, through several layers of transactions. The account into which the money is ultimately credited may belong to the principal offender or his accomplice. It may, however, also belong to a person who has received the money without knowledge of its source and without any connection with the offence.

9. The investigating agency must therefore proceed with two considerations in mind. The first is the interest of the victim. The fact that the money has moved from the victim's account into another account cannot be permitted to defeat the possibility of tracing and restitution of the amount. The second

is the interest of an innocent account holder. A person whose account happens to appear in the transaction chain cannot, merely for that reason, be treated as an accused or be deprived of the use of legitimate funds.

10. These two interests are not necessarily in conflict. With proper investigation and application of mind, the investigating agency can secure the disputed amount while permitting the account holder to operate the remaining funds. The approach must therefore be to protect the victim without causing unnecessary prejudice to a person who may ultimately be found to have no connection with the offence.

11. In cybercrime cases, the police cannot invariably be required to wait for a judicial order before taking a protective measure, since the delay may enable the suspected proceeds to be transferred further. Section 106 of the Bharatiya Nagarik Suraksha Sanhita, 2023 ('BNSS' for short) permits appropriate immediate action in such circumstances, subject to the statutory safeguards, including the requirement of reporting under Section 106(3) of BNSS.

12. The recognition of such power, however, cannot be understood as permitting the investigating agency to mechanically freeze every account which appears in the transaction trail. The power is intended to preserve suspected proceeds of crime. It is not a power to punish an account holder by depriving him or her of access to the entire balance in the account.

13. The investigating officer must, therefore, apply his or her mind before issuing a direction to the Bank. The officer should examine, as far as the circumstances permit:

13.1. the amount alleged to be involved in the offence;

13.2. the transaction through which the amount entered the account;

13.3. whether the amount remains identifiable;

13.4. the source and subsequent movement of the amount;

13.5. the status of the account holder, namely, whether the person is an accused, suspect, intermediary, downstream recipient or an apparently unrelated third party;

13.6. whether there is material indicating knowledge, participation, collusion or conscious receipt of the proceeds; and

13.7. whether securing the disputed amount alone would sufficiently protect the interests of the victim and the investigation.

14. An omnibus instruction to the Bank to "freeze the account", without identifying the transaction and the amount involved, should not become the normal response to a cybercrime complaint. Such an approach may cause substantial prejudice to a person who has no connection with the offence. The fact that an account appears somewhere in a chain of transactions is a reason to investigate the account; it is not, by itself, a finding that the account holder has committed an offence.

15. The investigating officer should, wherever practicable, identify the victim, the disputed transaction, the amount involved, the originating account, the recipient account and the subsequent accounts through which the money has moved. The present location of the suspected proceeds should also be ascertained. This would enable the

investigation to be directed towards the money which is actually alleged to be connected with the offence.

16. Where the disputed amount is identifiable, the investigating agency should consider whether that amount can be secured by marking a lien or by imposing another lawful and limited restriction, instead of disabling the entire account. This would protect the victim's interest while allowing the account holder to continue to use funds which are not shown to be connected with the offence.

17. The principle may therefore be stated simply:

> **"The disputed amount must be secured; the entire account need not automatically be frozen."**

18. This does not mean that an entire account can never be frozen. There may be cases where, at the initial stage, the material indicates that the whole or a substantial part of the account may represent proceeds of crime, or where immediate wider restraint is necessary to prevent dissipation. In such a case, a wider debit freeze may be justified. The reasons for adopting such a course, however, should be apparent from the material available to the investigating officer.

19. Immediate action and proportionality are therefore not inconsistent. At the commencement of an investigation, the police may have to act on the information then available. The validity of that initial action and the necessity of continuing the same restriction are, however, two different questions.

20. Investigation is a continuing process. The material available on the first day may be substantially different from the material available after bank statements, KYC documents, transaction records, communications and other evidence have been examined. An account holder who initially appears suspicious may subsequently be found to have no connection with the offence.

21. This is particularly important in cases involving layered or downstream accounts. Money may pass through several accounts within a short period. A person whose account receives the money may be an innocent recipient and may have neither knowledge of the fraud nor any relationship with the offender. The investigation must therefore distinguish between the fact that money has entered an account and the separate question whether the account holder has participated in or facilitated the offence.

22. The initial suspicion may justify immediate protective action. It cannot, by itself, justify continued deprivation of the account holder for an indefinite period. As the investigation progresses, the investigating agency must examine whether the material collected continues to justify the restriction.

23. Periodic review of every continuing debit freeze or substantial account restriction is therefore necessary. The review should consider, among other matters:

23.1. whether the disputed amount has been identified and quantified;

23.2. whether the amount remains in the account;

23.3. whether the account holder has any connection with the alleged offender;

23.4. whether there is material showing knowledge, participation, collusion or conscious receipt;

23.5. whether the account holder has provided an explanation supported by material;

23.6. whether the remaining funds are unrelated to the disputed transaction; and

23.7. whether continued freezing of the entire account remains necessary.

24. The need for such review is not merely procedural. A bank account may be used for receiving salary, business receipts, making payments to employees, meeting statutory obligations, paying instalments and meeting ordinary personal expenses. A blanket freeze may therefore affect a person's entire financial life even though the amount actually under investigation is only a small part of the balance.

25. The position must be reconsidered when the facts change. If, during investigation, it is found that the account holder has no connection with the offence, has no knowledge of the transaction and has not participated in the movement of the alleged proceeds, the continuation of a blanket debit freeze would require reconsideration. An order which was justified on the information available on the first day cannot necessarily remain justified for the entire duration of the investigation.

26. In such circumstances, the investigating agency must take appropriate steps without undue delay to modify or withdraw the earlier direction. If the disputed amount still requires protection, the restriction may,

subject to law and any order of the competent Court, be confined to that amount.

27. There should not be a situation where an account remains frozen merely because the investigating agency has not subsequently taken a decision to release it. Once the factual basis for the wider restriction disappears, the restriction must correspondingly be reduced or removed.

28. The mere continuation of investigation against the original offender cannot, by itself, justify the continued freezing of the account of a third party against whom no material has emerged. The restriction must have a continuing factual and legal basis.

29. The Bank also has an important role in maintaining this balance. The Bank is required to comply with lawful directions issued by the investigating agency or the competent Court and to assist in preventing the dissipation of suspected proceeds of crime. At the same time, the Bank must ensure that the restriction imposed on its customer corresponds with the direction actually issued.

30. If the investigating agency directs that only a specified amount be secured or lien-marked, the Bank should not, merely for administrative convenience, convert that direction into a freeze of the entire account. If the communication is unclear, the Bank should seek clarification from the issuing authority rather than adopt the most restrictive interpretation.

31. Where the investigating agency subsequently modifies or withdraws the restriction, the Bank should act on the revised direction without undue delay. The Bank should also maintain an appropriate record of the complaint or reference, the disputed transaction, the amount involved, the direction received, the restriction imposed and all subsequent communications relating to modification or withdrawal.

32. The duty of the Bank towards its customer does not mean that the Bank can disregard a lawful direction issued by the investigating agency. Equally, compliance with such a direction does not require the Bank to impose a restriction wider than what has actually been directed. The Bank must therefore

faithfully implement the lawful direction and any subsequent modification of it.

33. The statutory basis of the action must also be kept clear. Section 106 BNSS deals with seizure in the course of investigation, whereas Section 107 BNSS provides for attachment of property suspected to be proceeds of crime and the procedure applicable thereto. A debit-freezing direction issued as an immediate investigative measure should not be confused with an order of attachment under Section 107. The investigating agency must identify the statutory source of the action and comply with the safeguards applicable to that provision.

34. What is required is that the power be exercised on the facts of the individual case and that its continuation be reviewed as the investigation progresses. The power to act immediately cannot be converted into a power to impose an indefinite and disproportionate restraint.

35. The central concern is therefore not whether a debit freeze can be imposed, but how the power is exercised, how much of the account is required to be protected and whether the restriction continues to be justified.

36. The balance required may be stated in simple terms:

> **"The victim should not lose his or her money merely because it has moved into another account; and an innocent account holder should not lose access to his or her legitimate money merely because that account happens to lie somewhere in the chain of transactions."**

37. The investigation must consequently be swift at the initial stage, careful as it progresses and proportionate in its continuation. The object is not merely to freeze money. The object is to trace and preserve the proceeds of crime, facilitate lawful restitution to the victim, identify the persons actually involved and, at the same time, ensure that an innocent person is not made to suffer merely because his or her account appears in the transaction trail.

38. The Standard Operating Procedure should accordingly require the investigating officer, before issuing a debit-freezing direction, to record the basis for the action, the amount involved, the transaction by which the amount entered the account, the material connecting the amount with the offence, the role attributed to the account holder and the reasons why the extent of restriction proposed is necessary.

39. The SOP should also provide for:

39.1. identification of the disputed transaction and amount;

39.2. communication between the Cyber Command, the concerned police station, the investigating officer and the Bank;

39.3. identification of the status of the account holder;

39.4. consideration of lien or other limited restriction where sufficient to protect the disputed amount;

39.5. recording of reasons where an entire account is frozen;

39.6. compliance with the statutory requirements applicable to Section 106 or Section 107 BNSS, as the case may be;

39.7. periodic review of every continuing debit freeze;

39.8. recording of reasons for continuing the restriction;

39.9. prompt modification or lifting of the restriction where subsequent investigation shows that no case is made out against the account holder;

39.10. prompt communication of the modified or withdrawn direction to the Bank; and

39.11. a simple mechanism by which an affected account holder may place relevant material before the investigating officer and seek review of the restriction.

40. The review should be a real review and not a mere formality. Where subsequent investigation establishes that the account holder is not connected with the offence, the investigating agency should not wait until the investigation against all other accused persons is completed before taking steps to restore the innocent person's account. Subject to securing the disputed amount in accordance with law, the restriction should be modified or lifted when the material no longer justifies its continuation.

41. The fact that an account holder is ultimately found to be innocent does not make the initial protective action unlawful if the action was justified by the information available at that stage. The important

requirement is that the investigating agency must respond to the subsequent material. Initial suspicion and subsequent determination cannot be treated as though they are the same thing.

42. Conversely, where the investigation produces material showing that the account holder had knowledge of the transaction, participated in the movement of the proceeds, facilitated the offence or was otherwise connected with it, appropriate action may be taken in accordance with law. The protection extended to an innocent downstream account holder cannot become a shield for a person actually involved in the offence.

43. The principle of proportionality is therefore required at every stage. The restriction should bear a reasonable relationship to the object for which it is imposed. The greater the restriction, the greater must be the justification for it.

44. In the present case, the practical resolution demonstrates the manner in which the competing interests can be reconciled. The debit freeze on all three accounts was lifted and a lien was retained only in respect of Rs.3,875/-, being the amount stated to be involved in the complaints. The

Petitioners were consequently permitted to operate their accounts while the disputed amount remained secured.

45. The course adopted in the present case is a useful illustration of the approach which the SOP should seek to institutionalise:

Protect the disputed amount, but do not unnecessarily disable the entire account.

46. The governing principle can therefore be stated as follows:

46.1. The object of the investigation is to secure the proceeds of crime and facilitate restitution to the victim, and not to punish an account holder merely because the account appears in the transaction trail. The power to restrict an account must be exercised with application of mind, in accordance with law and in a manner proportionate to the object sought to be achieved.

46.2. The Court accordingly directs that the SOP placed before this Court shall address the above aspects. In particular, it shall ensure that the investigating agency is able to act immediately in genuine cases requiring urgent intervention, while also ensuring identification of the disputed amount, application of mind before imposing a wider restriction, periodic review, prompt modification where the circumstances change and protection of innocent third-party and downstream account holders.

47. The underlying principle is simple: **the victim must be protected, the suspected proceeds must be secured, and an innocent account holder must not be made to suffer a restriction which the investigation no longer justifies.** These are not competing objectives. Proper application of mind and a proportionate procedure can protect both interests.

48. Reserving liberty to the Petitioners to raise their grievance regarding the lien-marked amount before the Grievance Redress Mechanism (GRM) portal and, if so advised, to approach the jurisdictional Court in accordance with law, the petition stands disposed of.

49. Though the petition stands disposed of, certain compliances remain to be made by the learned ASGI. The issues noticed above require to be incorporated in the SOP so that similar cases are dealt with

consistently and the interests of victims and innocent account holders are both protected.

50. Re-list on **15.09.2026.**

51. Registry is directed to print the name of the learned ASGI in the cause list to enable the requisite compliance by filing the updated SOP.

SD/-
(SURAJ GOVINDARAJ)
JUDGE

KTY
List No.: 3 Sl No.: 0