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IN THE SUPREME COURT OF INDIA
CIVIL APPELLATE JURISDICTION
SANJAY KUMAR; J., SANJEEV SACHDEVA; J.
Special Leave Petition (C) Nos. 27363-27364 of 2024; August 12, 2026

Punjab National Bank
versus
M/s. Shree Jyoti Education and Management Trust World and others

Recovery of Debts and Bankruptcy Act, 1993 – Sections 2(g) & 19(20) – Banking Regulation Act, 1949 – Section 21A – Recovery of Dues – Calculation of Dues Post-NPA Classification – Interest Maintained in Suspense Account – High Court's Simplification of Dues Setting Aside DRAT Order Unsustainable - Definition of Debt & Inclusion of Interest - Under Section 2(g) of the Act of 1993, 'debt' includes any liability inclusive of interest claimed as due by a bank - Section 19(20) empowers the DRT to pass orders for payment of interest up to the date of realisation, and Section 21A of the Banking Regulation Act, 1949 bars courts from reopening transactions on the ground of excessive interest. *[Para 12]*

Banking Accounting Practice for NPAs & Suspense Account - Capitalisation of Interest & Directives - As per applicable accounting guidelines, once a loan account is classified as an NPA, the bank applies interest only up to the NPA date in the main loan statement and thereafter maintains a separate suspense account for interest due on the outstanding loan amount - A balance certificate reflecting only the outstanding amount in the primary loan account cannot be misconstrued to wipe out the accrued interest maintained in the separate suspense account - Reaffirming the law settled by the Constitution Bench, banks are entitled to charge interest on periodical rests and capitalise unpaid interest in accordance with RBI directives and voluntary contracts - The borrower cannot present self-serving, inconsistent account statements by selectively ignoring the interest component/suspense account – Held - The High Court committed an oversimplification of calculations by relying solely on a balance certificate while completely ignoring the interest component kept in the suspense account post-NPA classification - The High Court's orders directing full and final settlement on a reduced amount set aside, and the order of the DRAT Kolkata determining the liability at ₹54,90,413/- with pendente lite and future simple interest @ 9% p.a. restored. *[Relied on Central Bank of India v. Ravindra and others, (2002) 1 SCC 367; Union of India v. Association of Unified Telecom Service Providers of India and others, (2020) 3 SCC 525; Paras 10 -15]*

[Arising out of impugned final judgment and order dated 11-01-2024 in WPC No. 32036/2023 and 14-05-2024 in IA No. 2279/2024 in WPC No. 32036/2023 passed by the High Court of Orissa at Cuttack]

For Petitioner(s): Ms. Ekta Choudhary, AOR Ms. Rushali Sikand, Adv.

For Respondent(s): Mr. Bharat Sangal, Sr. Adv. Ms. Snigdha Dash, Adv. Mr. Hemant Tripathi, Adv. Ms. Shreya Kasera, Adv. Mr. Sahil Tagotra, AOR

J U D G M E N T

SANJAY KUMAR, J

1. Leave granted.

2. Punjab National Bank[1], the appellant, is aggrieved by the orders dated 11.01.2024 and 14.05.2024 passed by a Division Bench of the Orissa High Court. By the order dated 11.01.2024, the Division Bench directed PNB to receive a sum of ₹29,55,678.02 paisa from M/s. Shree Jyoti Education and Management Trust World[2], a charitable trust, and Tara Prasad Satpathy, its managing trustee, respondent Nos. 1 and 2 herein, in full and final settlement of their dues so as to close their loan account, and disposed of Writ Petition (C) No. 32036 of 2023 filed by them. By its later order dated 14.05.2024 passed in I.A. No. 2279 of 2024 in W.P. (C) No. 32036 of 2023, the Division Bench dismissed the recall/modification application filed by PNB in the context of the earlier order dated 11.01.2024.

3. Facts relevant to this adjudication unfurl thus: United Bank of India, the predecessor-in-interest of PNB, sanctioned a loan of ₹5 crore to the Trust, *vide* letter dated 27.06.2011, for construction of a college building. Tara Prasad Satpathy, its managing trustee, and other trustees, viz., respondent Nos. 2, 3, 4 and 5, stood as guarantors for the loan. The loan amount was disbursed over a period of two years. On 22.06.2017, United Bank of India issued a confirmation letter to the Trust informing it that, as on that day, the balance loan amount due and payable by it stood at ₹1,27,33,669/-. The loan account of the Trust was, however, classified as a non-performing asset on 30.06.2017. United Bank of India, thereupon, filed O.A. No. 258 of 2018 before the Debts Recovery Tribunal[3], Cuttack, Odisha, for recovery of its outstanding dues, amounting to ₹75,56,680/- as on 04.05.2018, along with future interest. Therein, the bank explained that the balance, in terms of the loan account, came to ₹64,25,915/-, with interest calculated up to 29.06.2017, and the other component was the interest, calculated at the rate of 12.90%, from 30.06.2017 to 05.05.2018, which came to ₹11,30,765/-. The total dues claimed, accordingly, came to ₹75,56,680/-.

4. During the pendency of the proceedings before the DRT, United Bank of India was amalgamated with PNB on 01.04.2020. PNB issued certificate dated 24.12.2020, titled 'To Whom It May Concern', stating that the Trust had paid ₹93,31,842/- since the date its loan account became a non-performing asset, i.e., from 30.06.2017 till 13.10.2020, and that, as on 13.10.2020, the outstanding amount of the loan was ₹31,99,000/-.

5. While so, by judgment dated 05.02.2021, the DRT allowed O.A. No. 258 of 2018 only to the extent of permitting PNB to recover a sum of ₹1,83,268/-, along with *pendente lite* and future simple interest @ 10% per annum. A recovery certificate was directed to be issued under Section 19(2) of the Recovery of Debts due to Banks and and Financial Institutions Act, 1993[4] (now, renamed as the Recovery of Debts and Bankruptcy Act, 1993).

6. We may note that the DRT took into account the fact that the Trust and its trustees, the defendants before it, had paid ₹93,88,516/- after the account became a non-performing asset and arrived at the figure of ₹1,83,268/- as the amount still due and payable by them. The calculation done by the DRT, as set out by it in its judgment dated 05.02.2021, reads as under: -

"The detailed calculation sheet is given below –

[1]For short, 'PNB'
[2]For short, 'the Trust'
[3]For short, 'the DRT'
[4]For short 'The Act of 1993'

(i) Originally the OA Is filed for recovery of Rs. 75,56,680.00 along with interest calculated upto 05/05/2018

(ii) The applicant bank is entitled to [*sic*] interest from 06/05/2018 till 05/02/2021 @10% p.a. simple

(iii) Interest on the amount of Rs.75,56,680.00 p.a. @10% p.a. - Rs.7,55,668.00

(iv) Interest per month - Rs.62,972.00 (Rs. 7,55,668.00/12)

(v) Interest for 32 months, i.e., from 06/05/2018 to 05/02/2021 Rs.62,972.00 X 32 = Rs.20,15,104.00

Total amount payable by the defendants –

(i) Amount claimed by the applicant bank - Rs 75,56,680.00

(ii) Interest calculated @10% p.a. simple - Rs.20,15,104.00

Total amount to be paid - Rs.95,71,784.00

Less paid by the defendants - Rs.93,88,516.00

Balance amount to be paid by the defendants Rs. 1,83,268.00"

7. Assailing this determination by the DRT of the amount to be paid, PNB filed Appeal No. 16 of 2021 before the Debts Recovery Appellate Tribunal[5] at Kolkata. Before the Appellate Tribunal, PNB filed affidavit dated 07.08.2023 stating that, after adjusting the amounts paid towards the loan account and interest, the dues of the Trust as on 05.02.2021 stood at ₹56,87,774.02 paisa. The Appellate Tribunal partly allowed the appeal, by order dated 01.09.2023, and determined that the Trust and the trustees were liable to pay ₹54,90,413/- along with *pendente lite* and future simple interest @ 9% from 05.02.2018 till the date of realization.

8. We may note that the Appellate Tribunal took into account the fact that, after the DRT's judgment dated 05.02.2021, a sum of ₹34,70,236/- was paid by the Trust, whereupon the dues came down to ₹40,86,444/- . PNB filed an affidavit before the Appellate Tribunal on 07.08.2023 stating that, after giving credit to the amounts paid by the Trust till that date, the amount due and payable as on 05.02.2021 stood at ₹56,87,774.02/-. The Appellate Tribunal noted that a sum of ₹1,84,000/- was deposited by the Trust after 05.02.2021 which would also carry interest and, accordingly, determined the dues of the Trust as on the date of its order to be ₹54,90,413/-. PNB was held entitled to *pendente lite* and future simple interest at the rate of 9% per annum on the said decretal amount from 05.02.2018 till the date of realization.

9. PNB accepted the DRAT's order, but the Trust and Tara Prasad Satpathy, its managing trustee, approached the High Court challenging the said order by way of WP (C) No. 32036 of 2023. Dealing with the said writ petition, the Division Bench relied heavily upon the certificate dated 24.12.2020 issued by PNB confirming that the outstanding loan amount, as on 13.10.2020, stood at ₹31,99,000/-. The Bench then noted that after the said date, the Trust had deposited ₹59,321.98 paisa on 28.12.2020 and ₹1,84,000/- on 11.02.2021, in all, a sum of ₹2,43,321.98 paisa and accepted the plea of the Trust that, after deduction of such amount, the dues stood reduced to ₹29,55,678.02 paisa. The Division Bench, accordingly, directed the Trust and Tara Prasad Satpathy, its managing trustee, to pay the said amount within four weeks in full and final settlement of their dues and for closure of their loan account. Thereupon, PNB filed I.A. No. 2279 of 2024 in WP (C) No. 32036 of 2023 seeking recall/modification of the order dated 11.01.2024. However,

[5]For short, the Appellate Tribunal'

by its later order dated 14.05.2024, the Division Bench opined that there was no error apparent in its earlier order and dismissed the I.A. Hence, these appeals.

10. The Chief Manager of PNB, Circle SASTRA Centre, Cuttack, filed affidavit dated 03.12.2024 along with a statement of account of the Trust with United Bank of India from 22.02.2012 onwards. Therein, we find that, as on the date of classification of the Trust's loan account as a non-performing asset, i.e., on 30.06.2017, the principal loan amount due, along with interest payable thereon calculated upto the said date, stood at ₹1,25,30,842/-. We may also note that as per the affidavit dated 03.12.2024, interest was to be applied only till the date the account was classified as a non-performing asset, i.e., 30.06.2017. This is in accordance with the accounting system followed by banks, as per applicable guidelines. After such date, i.e., from 01.07.2017, the bank maintained a separate suspense account for the interest due on the outstanding loan amount. Therefore, the interest component no longer found reflection in the loan account statement. In keeping with this system, as on the date of filing of the O.A. before the DRT, i.e., 04.05.2018, the dues in the loan account stood at ₹64,25,915 and the interest payable, in the suspense account, stood at ₹11,30,765/-, adding upto ₹75,56,680/-, as claimed by the United Bank of India. The certificate dated 24.12.2020, therefore, had to be understood in the light of the accounting system as the figure of ₹31,99,000/- mentioned therein did not take into account the interest component, reflected in the suspense account.

11. Oversimplification of calculation by the High Court with respect to the amount payable, ignoring the existence of the suspense account for the interest component since the date of classification of the loan account as a non-performing asset, and giving effect only to the figure mentioned in the PNB's certificate dated 24.12.2020, viz., ₹31,99,000/-, thereby accepting the plea of the Trust that the sum of ₹2,43,321.98 paisa paid by it needed to be deducted therefrom reducing its dues to ₹29,55,678.02 paisa, is therefore clearly unsustainable. The Trust and its trustees cannot blithely ignore the accounting system followed by banks and come up with different calculations at different points of time to suit their own interests. The statement of account filed by them before us, claiming that the principal amount due as on 29.06.2017 was ₹64.25,915/-, is contrary to their running account statement, produced by the bank, which shows that the principal amount along with interest calculated upto that date, stood at ₹1,25,30,842/-. We may also note that, before the DRT, their stand, as reflected in their written arguments, was that the rate of interest charged was on the higher side and that they were due and liable to pay ₹32,63,899.65 paisa and not the claimed amount of ₹57,01,917.32 paisa. However, in WP (C) No. 32036 of 2023, they ignored their earlier stand and relied upon the certificate dated 24.12.2020 to claim that only a sum of ₹29,55,678.02 paisa was payable by them!

12. In this regard, we may note that Section 2(g) of the Act of 1993 defines 'debt' to mean, amongst other things, any liability (inclusive of interest) which is claimed as due from any person by a bank or a financial institution. Therefore, there can be no dispute as to the interest component being part of the debt due to PNB. Further, Section 19(20) of the Act of 1993 empowers a Debts Recovery Tribunal, while dealing with an application made to it by a bank or financial institution, to pass an interim or final order, which may include an order for payment of interest from the date on which payment of the amount is found due up to the date of realisation or actual payment. On a parallel, Section 21A of the Banking Regulation Act, 1949, dealing with rates of interest charged by banking companies, provides that a transaction between a banking company and its debtor shall not be re-opened by any Court on the ground that the rate of interest charged by the banking company in respect of such transaction is excessive.

13. In ***Central Bank of India vs. Ravindra and others***[6], a Constitution Bench observed that, in view of the law settled by it and the directives of the Reserve Bank of India, banks must make an averment in the plaint that interest/compound interest has been charged at such rates, and capitalised at such periodical rests, as are permitted by, and do not run counter to, the directives of the Reserve Bank of India. It was observed that a statement of account should be filed in Court, showing details and giving particulars of debit entries, and if a debit entry relates to interest, then setting out the rate of, and the period for which, the interest had been charged. It was concluded that, subject to a binding stipulation in a voluntary contract between the parties and/or an established practice or usage, interest on loans may be charged on periodical rests and capitalised on the remaining unpaid and the principal sum coupled with the interest on periodical rests so capitalised, is capable of being adjudged as the principal sum on the date of the suit. In ***Union of India vs. Association of Unified Telecom Service Providers of India and others***[7], a 3-Judge Bench of this Court applied this principle.

14. The attempt on the part of the Trust and its trustees in coming up with a self-serving statement of account, showing the principal amount due as on 29.06.2017 as ₹64,25,915/-, contrary to the record, so as to arrive at a negative balance of ₹93,981.40 paisa as on 04.06.2018, whereupon they claimed that they paid in excess to the tune of ₹57,12,857/- and that the said sum is liable to be refunded to them by PNB, is patently erroneous and mischievous.

15. PNB is entitled to claim the interest due, which was calculated and maintained in a separate suspense account, in addition to the outstanding principal loan amount and, therefore, the calculation in that regard by the Appellate Tribunal, in its order dated 01.09.2023 in Appeal No. 16 of 2021, would have to be acted upon. In terms of the said order, which was accepted without demur by PNB, the rate of *pendente lite* and future simple interest chargeable by PNB would have to be scaled down to 9% per annum on the decretal amount of ₹54,90,413/- from 05.02.2018 till the date of realization.

The appeals are accordingly allowed, setting aside the order dated 11.01.2024 in W.P. (C) No. 32036 of 2023 and the order dated 14.05.2024 in I.A. No. 2279 of 2024 in W.P. (C) No. 32036 of 2023, passed by the High Court of Orissa at Cuttack, and restoring the order dated 01.09.2023 passed by the Debts Recovery Appellate Tribunal, Kolkata, in Appeal No. 16 of 2021. The appellant, Punjab National Bank, is entitled to seek recovery of its dues in terms thereof by way of appropriate proceedings, after giving credit to the amounts paid by the Trust and its trustees after the said date, if any, in accordance with law.

Parties shall bear their own costs.

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[6](2002) 1 SCC 367
[7](2020) 3 SCC 525