IBC DOSSIER

Bulletin on Landmark Judgments under IBC, 2016

M. R. VASUMATHI
Vs.
THE AUTHORIZED OFFICER & ORS.

Brief Facts

The case arose from a loan default dating back to 1984, for which G. Ramanujam had stood as guarantor by mortgaging his property. After his death in 2001, his legal heirs, including the appellant, opposed recovery proceedings initiated by the bank under the SARFAESI Act in 2009. The property was subsequently auctioned in 2010 for ₹2.11 crore. The appellant challenged the auction, raising objections on limitation and alleging procedural irregularities, particularly that the auction purchaser failed to deposit the balance consideration within the statutory 15-day period, and no written extension was granted by the bank.

Decision

The Supreme Court emphasized that strict adherence to Rule 9 of the SARFAESI Rules is mandatory, and any deviation in the timeline for payment of the balance sale consideration vitiates the auction. Since the purchaser paid beyond the prescribed period without a valid extension, the Court held the auction sale to be invalid. It set aside the sale and quashed the orders of the High Court, DRAT, and DRT. The Court directed refund of the auction purchaser's money with 7% interest, while granting the appellant a one-time opportunity to redeem the property by paying ₹95.42 lakh with 5% interest from 2009. In case of default, the bank was permitted to conduct a fresh auction after proper valuation.

Link of the Order

https://ibbi.gov.in/uploads/order/1cbc41da30ee5362c3369bf485638c0b.pdf