INSOLVENCY PROFESSIONAL AGENCY
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IBC AU-COURANT

LATEST UPDATES ON INSOLVENCY AND BANKRUPTCY

"Difficult and meaningful will always bring more satisfaction than easy and meaningless."

➢ Shylockian System' of Lending Cannot Be Permitted to Misuse IBC for Debt Recovery: NCLT Kochi

The National Company Law Tribunal (NCLT) at Kochi has refused to admit an insolvency plea against NCS Autocars Private Limited, holding that a "shylockian system" of lending involving advance deduction of interest cannot be permitted to misuse the Insolvency and Bankruptcy Code (IBC).

The tribunal found that the proceedings bore the characteristics of a debt recovery action rather than a bona fide insolvency proceeding.A coram of Judicial Member Vinay Goel and Technical Member Ravichandran Ramasamy dismissed the plea filed by SC Shah Corporation and seven others.

The tribunal observed, "The system adopted by the Petitioners of making advance deductions from the loan amount towards interest is a typical moneylender's practice. Such a "shylockian system" of lending cannot be permitted to misuse or take advantage of the insolvency resolution process under the Code."

According to the lenders, NCS Autocars borrowed ₹4 crore in two tranches in September and December 2023. The company executed promissory notes in their favour and agreed to repay the amounts with interest within five months.

The lenders claimed the company repaid ₹1.45 crore but defaulted on the remaining dues. Claiming an outstanding debt of about ₹3.82 crore, including ₹2.55 crore towards principal and about ₹1.27 crore towards interest, the lenders sought initiation of the Corporate Insolvency Resolution Process. They alleged that the company failed to comply with legal notices and repeated demands.

The tribunal noted that although the lenders had obtained several post-dated cheques, they presented only a few for encashment. They also did not initiate proceedings for dishonour of the cheques. While observing that such proceedings are not mandatory before invoking the IBC, the tribunal held that the lenders had not availed themselves of an efficacious remedy available under law.

Source: Live Law Biz
Read Full News: *https://www.livelawbiz.com/nclt/shylockian-system-of-lending-cannot-be-permitted-to-misuse-ibc-for-debt-recovery-nclt-kochi-540247*

IBC Claim Requires Crystallised Right To "Payment," Not Mere Right To "Performance": NCLT Kolkata

The Kolkata Bench of the National Company Law Tribunal (NCLT) on 3 July held that a contractual right to performance cannot be treated as a “right to payment” under Section 3(6) of the Insolvency and Bankruptcy Code, 2016, unless the claim has crystallised into a payable amount.

Technical Member Rekha Kantilal Shah and Judicial Member Bidisha Banerjee dismissed the appeal filed by NPGC Ltd against the liquidator's rejection of its Rs. 71.33 crore claim against D.C. Industrial Plant Services Pvt Ltd, which was undergoing liquidation.

Source: Live Law Biz
Read Full News*: *https://www.livelawbiz.com/nclt/contractual-right-to-performance-doesnt-constitute-right-to-payment-under-ibc-until-claim-crystallises-nclt-kolkata-540232

IBBI Invites Public Comments on Discussion Paper to Strengthen Insolvency Regulatory Framework

The Insolvency and Bankruptcy Board of India (IBBI) has issued a Discussion Paper titled **"Strengthening the Regulatory Framework – Amendments to CIRP Regulations, Liquidation Regulations and PG to CD Regulations."** The proposed amendments seek to address procedural gaps and enhance the efficiency of insolvency processes.

IBBI has invited comments and suggestions from stakeholders on the proposed amendments. The last date for submission of comments is **22 July 2026.**

Source: Insolvency and Bankruptcy Board of India (IBBI)
Read Discussion Paper*: *https://ibbi.gov.in/uploads/whatsnew/47ce61c1b4629c0df393c9b0d36b0709.pdf