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* **IN THE HIGH COURT OF DELHI AT NEW DELHI**

\# **CNR No. DLHC010520572026**

\+ W.P.(C) 15996/2026

KUNAL SIKKA

.....Petitioner

Through: Mr. Pranjit Bhattacharya, Adv.; Ms. Nitya Prabhakar, Adv.; Ms. Aashima Gautam, Adv.

versus

INDUSIND BANK LIMITED

.....Respondent

Through: Ms. Usha Singh, Adv

CORAM:
HON'BLE MR. JUSTICE JASMEET SINGH

O R D E R

% 29.10.2026

CM APPL. 74874/2026 & CM APPL. 74875/2026

Exemptions allowed, subject to all just exceptions.

The application is disposed of.

W.P.(C) 15996/2026

1. This is a writ petition filed under Article 226 of the Constitution of India seeking the following prayers :-

> *"A. Issue a writ of Certiorari or any other appropriate writ, order or direction quashing the Impugned Notice dated 21.05.2026 and the Impugned Declaration dated 30.09.2026 issued by the Respondent Bank under the RBI Master Directions, 2025 as illegal, invalid and null and void;*
>
> *B. Issue a Writ of Certiorari or any other appropriate writ,*

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order or direction quashing any steps/action taken by the Respondent Bank pursuant to the classification of the Petitioner's accounts as "wilful defaulter" by the Respondent Bank under RBI Master Directions, 2025;….”

2. For the reasons stated in the petition, issue notice.

3. Ms. Singh, learned counsel, accepts notice on behalf of respondent, seeks and is granted 4 weeks to file a reply.

4. List on 18.01.2027.

CM APPL. 74873/2026

5. This is an application filed on behalf of the petitioner under Section 151 of CPC, 1908, seeking interim directions.

6. For the reasons stated in the application, issue notice.

7. Ms. Singh, learned counsel, accepts notice on behalf of respondent, seeks and is granted 4 weeks to file a reply.

8. The brief facts of the case are that the petitioner was appointed as a Non-Executive Director of Aviom India Housing Finance Pvt. Ltd. ***(“Aviom”)*** on 28.01.2021. He is not involved in the day-to-day operations or financial management of Aviom.

9. The petitioner was served with a show-cause notice dated 21.05.2026 bearing Reference No. IBL/FRRG/DEL/2026-27/036 requiring the petitioner to show cause as to why the petitioner should not be declared a wilful defaulter. On 24.07.2026, the petitioner duly replied to the said show-cause notice in detail, explaining his role in Aviom and disputing any involvement in the alleged transactions.

10. It was submitted that the petitioner was only a non-executive director of Aviom, and that the Forensic Audit Report neither contains any allegation

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against the petitioner nor discloses any link between the petitioner and any instance of wilful default. It was further contended that the Identification Committee was not constituted in accordance with Clause 3(1)(ix) of the Reserve Bank of India (Commercial Banks - Treatment of Wilful Defaulters and Large Defaulters) Directions, 2025.

11. The petitioner also raised several other factual and legal arguments in his reply to the show-cause notice. However, a perusal of the impugned order dated 30.09.2026 shows that the respondents have dealt with all of them in a single paragraph, which reads as under:-

> *"The Review Committee constituted by the Bank comprises of MD & CEO as Chairman' and two Independent Directors of the Bank, as its members. The Committee after due deliberation of the facts and record on hand including submission in Personal hearing by Mr. Kunal Sikka, has arrived at the conclusion that the Borrower account is fit to be classified as a Wilful Defaulter. Accordingly, the Committee directed to issue a reasoned order declaring the Borrower/Promoter/Director as Wilful Defaulters and proceed with reporting of the account to RBI and other regulatory authorities as per relevant provisions of law and RBI guidelines.*
>
> *In view of the aforementioned, the Bank declares the addressee no 1 being the Borrower and addressee no. 2 & 3 being its Promoters and Directors as Wilful Defaulters and report the same to RBI and other credit information bureaus and initiate the penal provisions as contained in the RBI's*

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Master Directions on Wilful Defaulters.

This letter is being issued as per directions of the Committee detailing the relevant facts of the case and be considered as reasoned order as per RBI (Commercial Banks - Treatment of Wilful Defaulters and Large Defaulters) Directions dated November 28, 2025…"

12. The aforesaid paragraph merely records that the Review Committee, after due deliberation, has arrived at the conclusion that the account is fit to be classified as a wilful defaulter. I am unable to find any other paragraph in the impugned order that deals with the specific defences raised by the petitioner.

13. For the said reasons, I am of the view that a show-cause notice is not a mere paper formality, but a requirement for compliance with the principles of natural justice. Once a SCN has been issued, the petitioner has duly replied to the same raising his defence. The speaking order passed pursuant to a SCN and a reply is required to deal with the defence raised by the noticee (petitioner herein). If the order is as cryptic as noted above, the giving of SCN and calling for a reply becomes a meaningless exercise, which cannot be countenanced.

14. Since a declaration as a wilful defaulter carries serious civil consequences, the contentions raised by the petitioner must be considered and dealt with in a reasoned and speaking order.

15. Accordingly, the petitioner has made out a *prima facie* case. The balance of convenience also lies in favour of the petitioner, since, if I am unable to agree with the petitioner's contentions after the counter-affidavit is filed, the impugned order can always be given effect to thereafter hearing.

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Further, the petitioner would suffer irreparable loss and injury if the impugned order is allowed to operate, as a declaration as a wilful defaulter entails grave civil consequences

16. Therefore, the effect and operation of the impugned order dated 30.09.2026 shall remain stayed till the next date of hearing.

17. List on 18.01.2027.

JASMEET SINGH, J

OCTOBER 29, 2026/NR

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