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

Judgment Reserved on: 09.10.2026

% ***Judgment Delivered on: 16.10.2026***

\+ **LPA 217/2023 & CM APPL. 70846/2026**

STATE BANK OF INDIA AND ORS .....Appellants

Versus

SURESH PURI .....Respondent

Advocates who appeared in this case

For the Appellants : Mr. Rajiv Kapur, Standing Counsel with Mr. Akshit Kapur and Ms. Riya Sood, Advocates.

For the Respondent : Ms. Madhavi Khare and Mr. Apoorva Bhumesh, Advocates.

CORAM:
HON'BLE MR. JUSTICE VIVEK CHAUDHARY
HON'BLE MR. JUSTICE TEJAS KARIA

JUDGMENT

TEJAS KARIA, J

REVIEW PETITION 489/2026

1. The present Review Petition has been filed by the State Bank of India ("**Appellant**") seeking review of the order dated 23.07.2026 ("**Order**") passed by this Court in LPA No. 217/2023 ("**Appeal**") whereby the Appeal

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preferred by the Appellant challenging the judgment dated 05.01.2023 ("**Impugned Judgment**") passed by the learned Single Judge in W.P.(C) No. 12042/2018 ("**Writ Petition**") was dismissed by this Court.

2. During the service with the Appellant, the Respondent obtained from the Appellant a vehicle loan of ₹2,50,000/- ("**Vehicle Loan**"), an education loan of ₹7,50,000/- ("**Educational Loan**"), and a housing loan of ₹20,00,000/- ("**Housing Loan**"). The Educational Loan and Housing Loan were secured by a lien on his Provident Fund ("**PF**"). On 11.09.2015, the Appellant initiated disciplinary proceedings against the Respondent for unauthorised absence and alleged lapses concerning the Housing Loan. By order dated 16.03.2017 ("**Censure Order**"), the disciplinary authority, under Regulation 67(a) of the State Bank of Travancore (Officers') Service Regulations, 1979 ("**SBT Regulations**"), imposed the penalty of censure and directed repayment of the Housing Loan from March 2017 until retirement, with the balance outstanding on retirement to be adjusted against the Respondent's terminal benefits. On 30.06.2017, the Appellant classified the Educational Loan account as a Non-Performing Asset ("**NPA**"), with ₹9,05,000/- outstanding, besides the interest from the date of classification. The Respondent retired on 30.11.2017 and his PF was credited to his personal overdraft account ("**OD Account**") on 22.12.2017, and his gratuity to his pension account ("**Pension Account**") on 01.01.2018. By appropriating the Respondent's terminal benefits, the Appellant closed the Educational Loan account on 15.02.2018 and the Housing Loan and Vehicle Loan accounts on 23.02.2018. The Respondent challenged this appropriation in the Writ Petition. Although the Respondent initially also challenged the

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disciplinary penalties, the relief was later confined to the appropriation of the terminal benefits towards the loan dues.

3. By the Impugned Judgment, the learned Single Judge held the appropriation unsustainable, observing that, although the loan remained recoverable after retirement, the Appellant could have continued the lien on the PF balance until expiry of the loan tenure instead of adjusting the loan against the OD Account. The Appellant's Appeal was dismissed by this Court *vide* the Order holding that the governing loan terms did not permit premature closure merely upon the Respondent's superannuation. The Appellant has filed the present Review Petition for review of the Order.

4. Learned Counsel for the Appellant submitted that the Order failed to duly consider the sanction letters and the Housing and Educational Loan agreements, which provided for immediate repayment of the outstanding balance upon retirement and authorised deduction, appropriation, and set-off from the Respondent's PF, gratuity, amounts payable by the Appellant, and account balances.

5. Learned Counsel for the Appellant submitted that the Order failed to consider Regulation 49 of the State Bank of Travancore Employees' Pension Regulations, 1995 ("**SBT Pension Regulations**"), which permits recovery of dues, including Housing Loan dues, advances, and other recoveries, from the commuted value of pension or family pension. It was further submitted that the Order also failed to consider Clauses 3(c), 3(f), 3(h), and 3(j) of the Housing Loan Agreement dated 09.12.2011 ("**Housing Loan Agreement**"), which provide for immediate repayment upon retirement and authorise deduction, appropriation, and set-off from PF, gratuity, amounts payable by

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the Appellant, and balances in the Respondent's accounts. It was also submitted that Clause 9(a) of the Educational Loan Agreement dated 04.08.2008 ("**Educational Loan Agreement**") authorises the Appellant, at its discretion, to demand immediate repayment of the entire outstanding amount upon default of three equal monthly instalments ("**EMIs**").

6. Learned Counsel for the Appellant submitted that, as co-borrower of the Educational Loan, the Respondent was jointly and severally liable for the outstanding dues. Accordingly, ₹9,68,027/- was adjusted towards closure of the Educational Loan on 15.02.2018 under the Educational Loan Agreement and the lien on the Respondent's PF balance.

7. It was further submitted that, although the Order held that classification of the Educational Loan Account as an NPA did not, by itself, authorise premature recovery, it did not specifically examine Clause 9(a) of the Educational Loan Agreement ("**Clause 9(a)**") or the lien on the Respondent's PF balance. The adjustment of the outstanding loan dues was, therefore, stated to be consistent with the Censure Order and the governing contractual provisions.

8. Learned Counsel for the Appellant submitted that the loan proceeds did not create any asset and that staff loans were extended at concessional rates based on salaries paid by the Bank. The Appellant was therefore entitled to recover the outstanding amount from the Respondent's terminal benefits unless the loan tenure had been extended beyond retirement.

9. Learned Counsel for the Appellant submitted that, under Section 171 of the Indian Contract Act, 1872, the Appellant had a banker's lien over all monies held by it. As co-borrower of the Educational Loan, the Respondent

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was jointly and severally liable, and the Appellant was contractually and statutorily entitled to recover the outstanding dues from either borrower.

10. Reliance was placed on ***Secretary, ONGC Limited v. V.U. Warrier***, (2005) 5 SCC 245, wherein the Supreme Court interpreted a provision analogous to Regulation 49 as permitting appropriation of outstanding dues from an employee's gratuity. It was submitted that Regulation 49 similarly authorises recovery of the Appellant's dues from the commuted value of pension or family pension.

11. Reliance was also placed on ***Chairman-cum-Managing Director, Mahanadi Coal Fields Limited v. Rabindranath Choubey***, 2020 SCC OnLine SC 470, wherein the Supreme Court held, under the applicable rules, an employer could withhold gratuity even after an employee's retirement.

12. Learned Counsel for the Appellant submitted that the Order's failure to duly consider the term-loan agreements and Regulation 49 constituted errors apparent on the face of the record warranting review.

13. Learned Counsel for the Respondent submitted that the Review Petition is not maintainable, as it seeks to reargue matters already considered in the Order without disclosing any error apparent on the face of the record. It was contended that review jurisdiction extends only to an evident inadvertent error, not one requiring a process of reasoning, and does not permit re-examination of the loan agreements or Regulations. Reliance was placed on ***Kamlesh Verma v. Mayawati***, (2013) 8 SCC 320, and ***Sunil Gupta & Anr. v. Punjab National Bank & Ors.***, Neutral Citation: 2026:DHC:398-DB.

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14. Learned Counsel for the Respondent further submitted that Regulation 49 had been considered in the Order and, in any event, permits recovery only from the commuted value of pension or family pension, not from PF or gratuity. It was submitted that the Appellant's assertion that the dues were adjusted against commuted pension was disputed, as the commuted pension was only ₹11 lakhs, whereas the total outstanding loan amount was ₹25 lakhs.

15. Learned Counsel for the Respondent submitted that the Order had considered the Housing Loan Agreement and expressly recorded that "*the terms governing the loan facilities did not empower the Appellant-Bank to prematurely close the loan accounts...*". Accordingly, the Order was passed upon due consideration of the governing loan terms.

16. It was further submitted on behalf of the Respondent that, on a harmonious construction of Clause 3 of the Housing Loan Agreement, retirement may render the loan payable but required the Appellant to demand payment or collateral as it does not confer an unfettered right to appropriate the Respondent's terminal benefits without consent. As a standard-form contract, the Agreement was also required to be construed *contra proferentem*.

17. It was submitted by learned Counsel for the Respondent that ***ONGC*** (*supra*) was distinguishable because the applicable regulations expressly authorised deductions from retirement benefits. The Appellant's Rules and Regulations contain no corresponding authority to deduct from PF or gratuity, and the loan agreements do not constitute authority of law. Even if

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construed to permit such adjustment, the provisions would be contrary to public policy and unenforceable.

18. Learned Counsel for the Respondent submitted that closure of the Educational Loan account breached the Educational Loan Agreement. The Appellant's reliance on an alleged default of three or more EMIs did not justify closure of the account under that Agreement. It was further submitted by learned Counsel for the Respondent that the Educational Loan account was wrongly classified as an NPA. As the Respondent's daughter commenced a postgraduate course in May 2017, repayment was required to be deferred until completion of that course under the Master Circular on Education Loans dated 30.06.2017. There was, therefore, no EMI default as of May 2017, and the account was improperly classified as an NPA and adjusted against the Respondent's terminal benefits.

19. We have heard learned Counsel for the Parties and perused the material placed on record.

20. The Appellant seeks review of the Order on the ground that this Court failed to consider the relevant provisions of the Housing Loan Agreement and the Educational Loan Agreement, as well as Regulation 49, which, according to the Appellant, authorised adjustment of the Respondent's terminal benefits towards the outstanding loan dues, thereby giving rise to an error apparent on the face of the record.

21. Before examining the grounds urged by the Appellant in this Review Petition, it is apposite to reproduce the relevant extracts of the Order:

> "*11. Upon a perusal of above Regulation 67 of the SBT Regulations, it is evident that the said provision does not confer any authority upon the Disciplinary Authority, while imposing the*

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penalty of 'Censure', to direct appropriation of the delinquent officer's terminal benefits towards liquidation of outstanding loan liabilities. The direction for adjustment of the loan dues, thus, cannot be derived solely from the Censure Order.

12. Any recovery under Regulation 67(d) of the SBT Regulations presupposes pecuniary loss caused to the Bank by negligence or breach of orders. In the present case, there is no finding in the report of the Inquiry Officer that any loss was caused to the Appellant-Bank on account of the misconduct attributed to the Respondent, for which the penalty was imposed.

13. The loan accounts in question were sanctioned for fixed repayment tenures. Therefore, the stipulation relied upon by the Appellant-Bank regarding marking of a lien on the Respondent's PF balance cannot be construed as authorising the Appellant-Bank to prematurely close the loan accounts.

14. The Supreme Court in ***Hira Lal*** *(supra) has reiterated that pension and gratuity cannot be withheld, deducted or appropriated except under the authority of law. In the present case, the Appellant-Bank appropriated the gratuity amount credited to the Pension Account towards adjustment of the loan accounts, notwithstanding the absence of any stipulation permitting the marking of a lien on the gratuity amount. Further, the terms governing the loan facilities did not empower the Appellant-Bank to prematurely close the loan accounts merely on account of the Respondent having attained the age of superannuation.*

15. The Appellant-Bank has contended that the Educational Loan had been classified as an NPA. However, such classification, by itself, did not confer any authority upon the Appellant-Bank to prematurely adjust the outstanding dues from the Respondent's terminal benefits.

16. The challenge before the learned Single Judge, and consequently in the present Appeal, is confined to the Appellant-Bank's action of appropriating the Respondent's terminal dues towards adjustment of the outstanding loan accounts. The learned Single Judge has, in any event, preserved the Appellant-Bank's liberty to avail such remedies as may be available to it in accordance with law against the Respondent."

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[Emphasis supplied]

22. It is settled law that an error apparent on the face of record must be such an error which may strike one on a mere looking at the Order. An error which has to be established by a long-drawn process of reasoning on points where there may conceivably be two opinions can hardly be said to be an error apparent on the face of the record. The scope of the Court's power to review the Order is very limited and is strictly confined to the provisions of Order XLVII Rule 1 of the Code of Civil Procedure, 1908.

23. Learned Counsel for the Appellant has relied upon Clauses 3(c), 3(f), 3(h) and 3(j) of the Housing Loan Agreement to contend that the outstanding loan dues became immediately repayable upon the Respondent's retirement and that the Appellant was entitled to deduct, appropriate and set off the amounts payable to the Respondent towards repayment of the Housing Loan. The Order, while considering the recovery effected by the Appellant, examined whether the terms governing the loan facilities justified the premature closure of the loan accounts and the appropriation of the Respondent's terminal benefits and observed that "*…the terms governing the loan facilities did not empower the Appellant-Bank to prematurely close the loan accounts merely on account of the Respondent having attained the age of superannuation.*"

24. The Impugned Judgment held that, instead of prematurely closing the Housing Loan and appropriating the Respondent's terminal benefits, the Appellant could have maintained the lien over the PF balance until expiry of the loan tenure. The Order concurred with the learned Single Judge and affirmed that such appropriation was unsustainable.

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25. As regards Clause 9(a), the Impugned Judgment considered the Appellant's recovery of ₹9,68,027/- from the OD Account. It held that, although the Educational Loan was secured by a lien over the Respondent's PF balance, the recovery occurred only after the PF had been credited to the OD Account, without any agreement, rule, or regulation authorising such adjustment. It also noted that the loan tenure extended until 2021, whereas recovery was effected in February 2018.

26. The contention that the contractual provisions independently authorised such adjustment cannot, therefore, be said to have escaped consideration in the Order. The Appellant's contention that the contractual provisions governing the loan facilities were not considered proceeds on an incomplete reading of the Order.

27. Regulation 49 permits recovery of the Bank's dues, including Housing Loan and other advance dues, from the commuted value of pension or family pension. The Impugned Judgment, as affirmed in the Order, held that the Appellant had no lien over the Pension Account or OD Account and lacked authority to appropriate the Respondent's terminal benefits. The plea that Regulation 49 was not considered merely seeks reconsideration on merits and discloses no error apparent on the face of the record.

28. Reliance on ***ONGC*** (*supra*) by the Appellant is misplaced as the deduction of penal charges from gratuity was upheld in that case under Regulation 5 of the ONGC (Death, Retirement and Terminal Gratuity) Regulations, 1969, which expressly authorised recovery before payment without the employee's consent. In the present case, the Appellant prematurely closed the loan accounts and appropriated sums already credited

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to the Respondent's Pension Account and OD Account. As the Order specifically examined this aspect, ***ONGC*** (*supra*) discloses no error apparent on the face of the record.

29. In ***Mahanadi*** (*supra*), the Supreme Court upheld withholding of gratuity after superannuation during pending disciplinary proceedings and its subsequent forfeiture subject to Section 4(6) of the Payment of Gratuity Act, 1972. However, the proceedings in this case had concluded with the Censure Order before retirement, and it is held in the Order that Regulation 67 of the SBT Regulations did not authorise appropriation of terminal benefits towards loan dues. ***Mahanadi*** (*supra*) is, therefore, distinguishable on facts and affords no ground for review of the Order.

30. It is clarified that the Order has preserved the liberty granted by the learned Single Judge to pursue remedies available in law against the Respondent and the Appellant's right to recover the outstanding loan dues subsists as the Order was confined to the manner in which the Respondent's terminal benefits were appropriated.

31. In view of the foregoing, we find no ground warranting review of the Order. Accordingly, the present Review Petition is dismissed. The pending Application also stands disposed of. There shall be no order as to costs.

TEJAS KARIA, J

VIVEK CHAUDHARY, J

OCTOBER 16, 2026
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