

2025 LiveLaw (SC) 654

**IN THE SUPREME COURT OF INDIA
CRIMINAL APPELLATE JURISDICTION
VIKRAM NATH; J., SANDEEP MEHTA; J.**

MAY 28, 2025

CRIMINAL APPEAL NOS. OF 2025 (@ SLP (CRL) NOS. 17481-17482 OF 2024)

N.S. GNANESHWARAN ETC. versus THE INSPECTOR OF POLICE & ANR.

Code of Criminal Procedure 1973; Section 482 - Quashing of Charges - Bank Fraud – One-Time Settlement (OTS) – Supreme Court quashed criminal proceedings against appellants involving allegations of ₹25.89 lakh bank fraud under Sections 120B, 420, 468, and 471 of IPC and Sections 13(2) r/w 13(1)(d) of Prevention of Corruption Act, 1988, following a full settlement of dues with the Bank via OTS of ₹52,79,000. Held, where dispute is purely commercial, fully settled post-offence, and no continuing public interest exists, criminal proceedings may be quashed. High Court's dismissal of quashing petition reversed, parity granted with co-accused whose charges were quashed earlier. Appeals allowed, proceedings quashed. [Para 9]

For Petitioner: K Krishna Kumar

For Respondent: Vishnu Kant for R2 Bank; Sabarish Subramanian for R1

J U D G M E N T

VIKRAM NATH, J.

1. Leave granted.
2. The present appeals arise out of order dated 19.11.2024 passed by the Madurai Bench of the High Court of Madras in Crl. O.P. (MD) Nos. 586 and 595 of 2024, whereby the High Court dismissed the petitions filed by the appellants under Section 482 of the Code of Criminal Procedure, 1973¹, seeking quashing of criminal proceedings initiated against them for offences under Section 120B read with Sections 420, 468, and 471 of the Indian Penal Code, 1860², and under Section 13(2) read with Section 13(1)(d) of the Prevention of Corruption Act, 1988³.
3. The facts relevant to the present appeals are as follows:
 - 3.1. The appellants herein are arrayed as accused nos. 3 and 6 in C.C. No. 16 of 2006, arising out of FIR No. RC MA1 2005 0020, registered on the basis of a complaint dated 27.04.2005 lodged by the respondent no.2 – Bank. It was alleged that the accused persons caused wrongful loss to the Bank to the tune of Rs.25.89 lakhs, leading to the filing of the charge sheet against nine accused, including the appellants.
 - 3.2. The allegations against appellant no.1, N.S. Gnaneshwaran, are that he was instrumental in orchestrating the fraudulent diversion of funds sanctioned to M/s Vinayaka Corporation. He is alleged to have facilitated the encashment of multiple cheques drawn from the fraudulently obtained credit limit, using a network of relatives, employees, and fictitious identities. It is further alleged that he forged signatures and diverted the funds through various accounts linked to his family members and associates.

¹ CrPC.

² IPC.

³ PC Act.

3.3. Appellant no.2, N.S. Madanlal, the brother of Gnaneshwaran, is alleged to have assisted in the scheme by operating a Bank account in the name of Bharathi Traders along with his wife, through which cheques were deposited and funds withdrawn. He is also accused of physically filling in cheques and ensuring their credit and encashment as part of the larger conspiracy to siphon off funds from the Bank.

3.4. Parallel to the criminal proceedings, the Bank initiated recovery proceedings in O.A. Nos. 186 of 2005 and 5 of 2006 before the Debt Recovery Tribunal, Chennai⁴, which were later renumbered as T.A. Nos. 16 and 57 of 2007.

3.5. The High Court, vide order dated 07.01.2023, allowed the petition under Section 482 CrPC filed by accused no.7, who is the wife of appellant no.1, and quashed the FIR insofar as it pertained to her. The said order was assailed before this Court by way of Special Leave Petition, which came to be dismissed on 26.03.2021.

3.6. In identical cases being C.C. Nos. 13 of 2006 and 151 of 2010, which were initiated by the Central Bureau of Investigation (CBI) against the appellants and other accused based on the same set of transactions, a settlement was arrived at between the principal accused and the Bank for an amount of Rs.52,79,000/-. Taking note of this compromise, the High Court proceeded to quash the proceedings against the accused on the ground of parity, and extended similar relief to the appellants herein vide order dated 26.09.2022.

3.7. Subsequently, the Bank floated a One Time Settlement (OTS) scheme, which was availed of by the main borrowers, namely accused nos. 4 and 5. Upon full repayment of the dues, the Bank recorded its satisfaction in the pending recovery proceedings, which were dismissed as settled vide order dated 15.12.2023. Thereafter, the Debt Recovery Certificates were recalled, and No Dues Certificates were issued to the borrowers.

3.8. In view of the settlement, the appellants moved the High Court under Section 482 CrPC seeking quashing of the criminal proceedings pending against them.

3.9. However, the High Court, vide the impugned order, dismissed the petitions on the ground that the stage of trial was advanced and held that the criminal proceedings could not be quashed merely on the basis of the OTS when a prima facie case was made out.

3.10. Aggrieved by the said decision, the appellants are before us in the present appeals.

4. We have heard the learned counsel appearing for the parties and carefully perused the material on record.

5. The learned counsel for the appellants submits that the dispute in question arises out of a commercial transaction which has since been amicably resolved through a One Time Settlement scheme extended by the Bank. It is contended that the recovery proceedings initiated by the Bank have been fully settled, no dues remain, and the Bank has formally issued certificates recording its satisfaction. It is further urged that the appellants are similarly placed to other co-accused against whom proceedings have already been quashed, and that the continuation of proceedings in the present matter would amount to unfair treatment. Additionally, it is submitted that the offences under the Prevention of Corruption Act are not attracted in the case of the appellants, who are private individuals and not public servants.

6. On the other hand, learned counsel for the respondents contends that the settlement of dues or compromise between the parties does not automatically warrant quashing of criminal proceedings when serious allegations involving fraud and criminal

⁴ DRT.

conspiracy are made out. It is submitted that the existence of a prima facie case is sufficient to warrant trial and that private settlements should not interfere with criminal prosecution, especially at an advanced stage.

7. Having considered the submissions of both sides and examined the record, we are of the view that no useful purpose would be served by continuing the criminal proceedings in the present matter. The dispute has, admittedly, culminated in a comprehensive One Time Settlement under which the Bank has received the entire outstanding amount. The recovery proceedings before the tribunal have been dismissed as settled, and no residual claim survives. The Bank has not raised any objection to the closure of the matter and has issued formal acknowledgments of satisfaction.

8. Further, in identical proceedings filed by the CBI against the appellants in C.C. Nos. 13 of 2006 and 151 of 2010, the charge sheets were quashed by the High Court after taking note of the settlement reached in the recovery proceedings. The special leave petitions preferred by the State being SLP (Crl) No. 711 of 2021 and SLP (Crl) No. 825 of 2021 challenging the said quashing were dismissed by this Court, rendering the orders final. Since the facts and legal position are the same in the present matter, we see no reason why the appellants should not be given the same relief.

9. In our view, allowing the present criminal proceedings to continue would serve no meaningful purpose, particularly when the dispute between the parties has already been resolved through a full and final settlement. The settlement between the parties having taken place after the alleged commission of the offence, and there being no continuing public interest we see no justification for allowing the matter to proceed further.

10. In view of the above discussion, we find it appropriate to quash the proceedings pending in C.C. No. 16 of 2006 against the appellants herein. Consequently, the appeals are allowed.

11. Pending application(s), if any, shall stand disposed of.

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