2026:AHC-LKO:30793-DB

A.F.R.
RESERVED ON: April 15, 2026
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HIGH COURT OF JUDICATURE AT ALLAHABAD

LUCKNOW

WRIT - C No. - 1866 of 2026

M/S S. A. Enterprises Thru. Its Proprietor Rameshvar Singh And Another ……Petitioner(s)

Versus

Reserve Bank Of India Thru. Its Governor Mumbai And 2 Others ……Respondents(s)

Counsel for Petitioner(s) : Shrikant Mishra, Mansi Saxena

Counsel for Respondent(s) : Vinay Shankar

Court No. – 3

HON'BLE SHEKHAR B. SARAF, J.

HON'BLE ABDHESH KUMAR CHAUDHARY, J.

ABDHESH KUMAR CHAUDHARY, J.: Heard Sri Shrikant Mishra, learned counsel appearing on behalf of the petitioners and Sri Vinay Shankar, learned counsel appearing on behalf of the respondents No. 2 and 3.

2. This is a petition seeking de-freezing of the bank account. However, interestingly the present bank account has not been frozen due to any cyber-crime as had been vogue these days but due to the metamorphosis of the current Bank into an Investigating agency. The act of the Bank in casually freezing the bank account of an individual besides being a serious breach of trust with its account holder also amounts to demoralizing business sentiment, loosing faith in the financial system and most importantly having adversarial impact on the economic prosperity of any country.

3. The facts of the present case lie in a narrow compass in as much as the petitioner claims to be the sole proprietor of M/s S.A. Enterprises and is engaged in lawful business of sale and purchase of machineries relating to fisheries and allied works, and the firm is registered for Goods and Service Tax with the Government of India and also maintains a valid Bank account number 381702000000301 in the name of his firm in the Respondent-Indian Overseas Bank, Alambagh branch, Lucknow.

4. During the business activities of the firm, it is stated that on or about 16th January, 2026, an amount of ₹23 lakhs came to be transferred through R.T.G.S. by one Mrs. Anita to the petitioner, allegedly for purchasing of machineries. On the same day the petitioner withdrew an amount of ₹5 lakhs from the said bank account. It is the case of the petitioner that subsequently on 20th January, 2026, when he attempted to withdraw further amount from the bank account of his firm, he was informed orally

by the Bank officials that the account had been frozen and no transaction could be permitted.

5. Apparently, the petitioner visited the Bank on several occasions, requesting them to de-freeze his account, however, the same did not find any favour with the Bank official, and as such the petitioner in order to ventilate his grievance, send a text message to the Bank Manager on 25th of January 2026 (available on record). The text messages were followed by a Complaint and Legal Notice to the Branch Manager on 9th of February 2026. Since the Bank officials did not oblige to de-freeze the bank account of the petitioner, the present writ petition has been filed before this Court, relying on a judgment passed by this Court in ***Writ-C-No.12211 of 2025*** (***Khalsa Medical Store Through Proprietor Yashwant Singh versus Reserve Bank of India Through Governor and Three others***).

6. Notice was issued to the Respondent-Bank and accordingly, a short counter affidavit came to be filed by them on 6th February, 2026 to which rejoinder was filed by the petitioner on 17th February, 2026. Accordingly, thereafter, the matter was taken for final disposal with the consent of the parties.

7. Mr. Shrikant Mishra, learned counsel for the petitioner has submitted that the petitioner is not implicated as accused in any matter nor is there any order from any competent authority to freeze the Bank account of his firm. According to him, there is no criminal or any other complaint raised against his bank account at any point of time, therefore, the Authorities could not have frozen his bank accounts and as such the very

freezing of the bank account is illegal and bad in law. He further submits that neither any written notice or order or reason was ever communicated to the petitioner regarding freezing of his bank account and as such the action of the Respondent-Bank is arbitrary and in violation of the principles of natural justice. According to him, the illegal and arbitrary act of freezing of his bank account without any reasons has led the petitioner firm to suffer severe financial loss, loss of reputation, and disruption of business operations.

8. On the other hand, Mr. Vinay Shankar, learned counsel for the Respondent-Bank has submitted that the bank account of the petitioner was frozen due to certain suspicious transactions in the petitioner's account. According to him, the suspicion was due to the fact that although the petitioner had declared his annual income of ₹5.76 lakhs while opening his current account, however, a huge amount of ₹23 lakhs came to be credited in his account and apparently, on the same day, an amount of ₹5,00,000 was transferred/withdrawn by the petitioner. The learned counsel relied upon the provisions of Section 12(2) of the Prevention of Money Laundering Act, 2002 to justify the freezing of the account. He further submits that the said freezing of the bank account has been done to protect the interest of the petitioner as well as to restrict further debit/transfer of any money in the said bank account. He also submitted that although a letter dated 20th February, 2026 was issued by the Bank to the petitioner to provide details of such transaction, however, the petitioner failed to comply with the said letter and it was on their own investigation that they came to learn

that the said amount of ₹23 Lakhs was credited in the petitioner's current account by Bank of Maharashtra, under a loan extended to one Smt. Anita.

9. According to the learned Counsel, the said Bank of Maharashtra had noticed some suspicious activity in the account of Smt. Anita and as such has requested the Respondent-Bank to not release the said amount and refund the same to them as per E-mail dated 11th March, 2026. Thus, according to the learned counsel, as fraudulent and suspicious activities were visible in the account of the petitioner and in order to save the said money as a precautionary measure, the Respondent-Bank has frozen the bank account of the petitioner.

10. This Court has heard the learned Counsels for the parties at length and perused material on records.

11. As far as the opening of the current account with the Respondent-Bank on 30th of December 2025, and declaration of annual income of ₹5.76 lakhs in the form for Opening of Current Bank Account by the petitioner is concerned, the same is not under dispute. However, the issue is whether there exists any law or regulation of the Bank or of the Reserve Bank of India (R.B.I.) that empowers any Bank to declare an account suspicious and consequently, freeze the said account, if the annual income declared in the Account Opening form is less than the amount being credited in the said account. Although the said issue is axiomatic as far as the disposal of the present petition is concerned, however, keeping in mind that the counsel for the Bank had been harping on the said fact, this Court while hearing the present petition, invited the learned Counsel for the Bank to bring on

records any such circular or address his argument on the said issue. However, the Respondent- Bank, neither filed any such document in his counter-affidavit nor was able to show any relevant provision in law relating to the said issue. This Court also does not find any guidelines/notification/circular/S.O.P. etc., of any Bank which specifically bars crediting of more amount than the annual income mentioned in the account opening form of the Bank. Further, this Court does not find anything unusual about the credit of ₹23,00,000/- into the account of the petitioner, within a period of 15 days from the opening of the current account or having withdrawn ₹5 lakhs on the same day, in the absence of any complaint of fraudulent activity from any quarter.

12. The fulcrum of the argument of the learned Counsel for the Respondent-Bank is that the account is suspicious and there is a requirement under law as per Section 12(2) of the Prevention of Money Laundering Act, 2002 to freeze the bank account, in case there is any suspicious transaction in the bank account, which according to the Respondent- Bank has been complained of by the Bank of Maharashtra. The said submission of the Respondent-Bank is two-fold, *viz (i)* Suspicious transaction and *(ii)* requirement of law under Section 12(2) of the Prevention of Money Laundering Act, 2002.

13. This court proposes to deal with both the arguments in seriatim.

14. First and foremost, we are unable to countenance as to under what provision of law and as to under what authority, the Respondent-Bank can self-authorize itself to venture into a path of investigating the source of the

amount of ₹23 lakhs which was credited in the petitioner's account. In any case we find that the Respondent-Bank investigated to find that the said ₹23 lakhs had been obtained by Smt. Anita by availing loan facility for carrying out fish business from Bank of Maharashtra. Respondent-Bank claims that the said Bank of Maharashtra noticed certain suspicious activity in the account of Smt. Anita and as such requested the Respondent-Bank to not release any amount from the bank account of the petitioner and refund the same to them. However, we find that there is neither any police complaint nor any private complaint to any authority in the present matter. Further, we also do not find any Court order or any material brought on record to show that there is any genuine issue relating to suspicious activity. On the contrary, we find that the material brought on record by the petitioner in his rejoinder-affidavit reveals that the current bank account of the said Mrs. Anita is functional and there had been no freezing of the said account. It is rather strange that the basis of alleged fraudulent or suspicious transaction in Mrs. Anita's bank Account *i.e.* the Bank of Maharashtra, had been made a foundational fact for freezing the bank account of the petitioner, however, the fact of the matter remains that the account of Bank of Maharashtra maintained by the said Mrs. Anita has not been frozen by Bank of Maharashtra itself. Further, it is noticed from the statement of account of the bank account of the said Mrs. Anita maintained at Bank of Maharashtra that the said Mrs. Anita had been carrying normal day-to-day transactions in her said bank account and there has been no action or complaint or for that matter any proposed

recovery action whatsoever by the said Bank of Maharashtra against the said Mrs. Anita relating to her bank account or the loan extended to her. Thus, the very foundation for suspecting the bank account of the petitioner crumbles like a pack of cards. The submission of suspicious transaction is wholly illegal, ill-conceived and as such rejected.

15. We also find that the Respondent-Bank has heavily relied in their counter affidavit that Bank of Maharashtra has written some E-mail dated 11.03.2026 to the Respondent-Bank relating to some fraudulent transaction in the bank account of Mrs. Anita, thereby allegedly asking the Respondent-Bank to freeze the bank account of the petitioner. From a perusal of the aforesaid e-mail annexed along with the counter-affidavit of the Respondent Bank, it is clear that the said E-mail dated 11.03.2026 is in fact a reply to a query raised by the Respondent-Bank on 09.03.2026. This Court fails to understand, in the first instance under what law could the Bank start a self-declared investigation without there being any Complaint lodged by anyone, and secondly, if at all a query is put and some adversarial observation or request is made by a third-party Bank, then how on earth the Respondent-Bank could have obliged on the said request, breaching the trust between the Bank and the account holder. Apparently, it is borne from the records that not only the said request of Bank of Maharashtra is in the air and without any basis, however, the whole process is abortive as this Court is unable to find any subsequent action taken by the said Bank of Maharashtra pursuant to the E-mail reply dated 11.03.2026 sent to

the Respondent-Bank. There is neither any complaint by the said Bank of Maharashtra nor any order from any Competent Authority nor any proceedings has been initiated by the said Bank against the said Smt. Anita, for any fraudulent transfer as is mentioned in the reply E-mail dated 11.03.2026. Clearly, the E-mail has been self-generated by the Bank of Maharashtra without any complaint or order and merely to collude with the Respondent-Bank in their illegal acts and omissions of illegally freezing the bank account of the petitioner.

16. The learned counsel for the Bank has vehemently tried to justify the illegal act of the Bank by relying on Section 12(2) of the Prevention of Money Laundering Act, 2002 which again is misconceived and illegal. The learned counsel reiterated his submission as made in paragraph 4 of the counter-affidavit filed by the Respondent-Bank. Firstly, we note that Section 12(2) as quoted and mentioned at paragraph 4 of the Counter-Affidavit is at stark difference to the actual Section 12(2) of the Prevention of Money Laundering Act, 2002. Apparently, we find that Section 12 of the Act relates to casting a duty on reporting entity (Bank) to maintain records. Section 12(1) enjoins upon the Bank to keep the information confidential. Section 12(3) says that the said records has to be maintained and preserved for five years. This Court is rather amused as to how Section 12(2) or for that matter any of the sub-Sections of Section 12 of the Prevention of Money Laundering Act, 2002 has been sought to be made applicable and pressed into action. The said Section does not in any manner authorise or remotely concerns freezing of a bank

account by the banking company itself. The entire Section 12 of Prevention of Money Laundering Act, 2002 can be perused for that reason, which is being delineated herein below, for a better understanding:-

> *" [1][12. <u>**Reporting entity to maintain records**</u>.—*
> ***(1)** Every reporting entity shall—*
>
> *(a) maintain a record of all transactions, including information relating to transactions covered under clause (b), in such manner as to enable it to reconstruct individual transactions;*
>
> *(b) furnish to the Director within such time as may be prescribed, information relating to such transactions, whether attempted or executed, the nature and value of which may be prescribed;*
>
> *(c) [2][* * *]*
>
> *(d) [3][* * *]*
>
> *(e) maintain record of documents evidencing identity of its clients and beneficial owners as well as account files and business correspondence relating to its clients.*
>
> ***(2)** Every information maintained, furnished or verified, save as otherwise provided under any law for the time being in force, shall be kept confidential.*
>
> ***(3)** The records referred to in clause (a) of sub-section (1) shall be maintained for a period of <u>five years</u> from the date of transaction between a client and the reporting entity.*
>
> ***(4)** The records referred to in clause (e) of sub-section (1) shall be maintained for a period of five years after the business relationship between a client and the reporting entity has ended or the account has been closed, whichever is later.*

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1 ***Subs. by Act 2 of 2013, S. 9 (w.e.f. 15-2-2013).*** *Prior to substitution it read as:*

> ***"12. Banking companies, financial institutions and intermediaries to maintain records.—(1)** Every banking company, financial institution and intermediary shall— (a) maintain a record of all transactions, the nature and value of which may be prescribed, whether such transactions comprise of a single transaction or a series of transactions integrally connected to each other, and where such series of transactions take place within a month; (b) furnish information of transactions referred to in clause (a) to the Director within such time as may be prescribed; (c) verify and maintain the records of the identity of all its clients, in such manner as may be prescribed: Provided that where the principal officer of a banking company or financial institution or intermediary, as the case may be, has reason to believe that a single transaction or series of transactions integrally connected to each other have been valued below the prescribed value so as to defeat the provisions of this section, such officer shall furnish information in respect of such transactions to the Director within the prescribed time. **(2)**(a) The records referred to in clause (a) of sub-section (1) shall be maintained for a period of ten years from the date of transactions between the clients and the banking company or financial institution or intermediary, as the case may be. (b) The records referred to in clause (c) of sub-section (1) shall be maintained for a period of ten years from the date of cessation of transactions between the clients and the banking company or financial institution or intermediary, as the case may be.**".***

2 ***Omitted by Act 14 of 2019, S. 28 (w.e.f. 25-7-2019).*** *Prior to omission it read as:- "(c) verify the identity of its clients in such manner and subject to such conditions, as may be prescribed;".*

3 ***Omitted by Act 14 of 2019, S. 28 (w.e.f. 25-7-2019).*** *Prior to omission it read as:- "(d) identify the beneficial owner, if any, of such of its clients, as may be prescribed;".*

> ***(5)*** *The Central Government may, by notification, exempt any reporting entity or class of reporting entities from any obligation under this Chapter.]*”

17. Since, there had been no assistance from the learned counsel for the Bank as to in what circumstances, Section 12(2) has been quoted differently at paragraph 4 of the Counter-Affidavit, this Court in its quest for reaching to the bottom of the issue took upon itself to scan through the various provisions of the Prevention of Money Laundering Act, 2002 and finds that as a matter of fact, the learned counsel for the Bank was actually trying to refer Section 12AA(2) for and in place of Section 12(2) of the Prevention of Money Laundering Act, 2002. Having noted the said controversy, it is the bounden duty of this Court to also deal with the provisions of Section 12AA of the Prevention of Money Laundering Act, 2002.

18. Apparently, Section 12AA of the Prevention of Money Laundering Act, 2002 relates to enhanced due diligence and lays down the compliance requirements for reporting entities. These requirements are aimed at preventing money laundering and terrorist financing and promoting a culture of compliance within reporting entities/Bank. Section 12AA(2) comes into play only when certain conditions as mentioned in 12AA(1) is not fulfilled. Further, it only says that the Bank would not allow the specified transaction to be carried out and evidently does not mention of not allowing any transaction or for that matter freezing the account. It should be well understood that under the provisions of Section 12 merely a duty is cast on the Bank as a reporting entity to maintain records and at time may not permit a particular (specified) transaction only, because

the freezing of Bank Account is always under Section 17 of the Act and that too by the Competent Authority, after the twin test of *(i)* information being in possession and *(ii)* reasons to believe, is satisfied to the core. Further, this Court finds that the Respondent-Bank has failed to show as to what was the specified transaction, it was trying to abort and as to what conditions it failed as enumerated under Section 12AA(1) of the Prevention of Money Laundering Act, 2002. In any case, we are of the view that the transaction of the petitioner does not fall in any of the explanation of "specified transaction" as appended to Section 12AA(4) of the Prevention of Money Laundering Act, 2002, which *inter-alia* states as follows:

> ***"****Explanation.—For the purposes of this section, "specified transaction" means—*
> *(a) any withdrawal or deposit in cash, exceeding such amount;*
> *(b) any transaction in foreign exchange, exceeding such amount;*
> *(c) any transaction in any high value imports or remittances;*
> *(d) such other transaction or class of transactions, in the interest of revenue or where there is a high risk or money-laundering or terrorist financing, as may be prescribed.****"***

19. *Arguendo,* if the Reporting Authority (Bank) is construed to have power to freeze any bank account and not a particular specified transaction, as is propagated to be done in the present case, a havoc like situation would be created and the entire financial system would come crumbling down for the simple reasons that besides the other investigative agency and the Courts, the Bank would also have power to freeze account at its whims and discretion by terming any transaction to be

suspicious,without assigning any reason, which cannot be the intent of law.

20. This Court is unable to find any rationale or any nexus as to how the provisions of Prevention of Money Laundering Act, 2002 can be self-invoked by the Bank to deny the legitimate right of the petitioner to operate his Bank Account. There ought to be some overt activity complained of against the petitioner. The so called suspicious or fraudulent transaction as termed by the Respondent-Bank has also fallen flat for the reasons as mentioned herein above.

21. Further, this Court finds that as far as reporting of suspicious transaction is concerned, the Reserve Bank of India has issued circular dated 2nd of July 2012 relating to obligations of Banks under the Prevention of Money Laundering Act, 2002 wherein paragraph 2.16 (2) relating to Suspicious Transaction Reports (S.T.R.), of the said Circular clearly mentions that the Banks should not put any restrictions on operations in the accounts where S.T.R. has been made. The contents of the Circular would make for a good read, which is being delineated herein below:

"2.16 Cash and Suspicious Transaction Reports:-

[*******]

2. Suspicious Transaction Reports (S.T.R.)

i. While determining suspicious transactions, banks should be guided by definition of suspicious transaction contained in PMLA Rules as amended from time to time.

ii. It is likely that in some cases transactions are abandoned / aborted by customers on being asked to give some details or to provide documents. It is clarified that banks should report all such attempted transactions in STRs,

even if not completed by customers, irrespective of the amount of the transaction.

iii. Banks should make STRs if they have reasonable ground to believe that the transaction involve proceeds of crime generally irrespective of the amount of transaction and/or the threshold limit envisaged for predicate offences in part B of Schedule of PMLA, 2002.

iv. As per extant instructions, a bank should not open an account (or should consider closing an existing account) when it is unable to apply appropriate CDD measures. It is clarified that in the circumstances when a bank believes that it would no longer be satisfied that it knows the true identity of the account holder, the bank should also file an STR with FIU-IND.

v. The Suspicious Transaction Report (STR) should be furnished within 7 days of arriving at a conclusion that any transaction, whether cash or non-cash, or a series of transactions integrally connected are of suspicious nature. The Principal Officer should record his reasons for treating any transaction or a series of transactions as suspicious. It should be ensured that there is no undue delay in arriving at such a conclusion once a suspicious transaction report is received from a branch or any other office. Such report should be made available to the competent authorities on request.

vi. In the context of creating KYC/AML awareness among the staff and for generating alerts for suspicious transactions, banks may consider the indicative list of suspicious activities contained in Annex E of the 'IBA's Guidance Note for Banks, 2005'.

vii. Banks should not put any restrictions on operations in the accounts where an STR has been made. Moreover, it should be ensured that there is no ***tipping off to*** *the customer at any level.***"**

22. In any case, this Court is clear in its mind that there ought to be some order from a competent authority like the investigating agency (Police), who have been authorized to freeze bank account during investigation in terms of Section 102 of the erstwhile Code of Criminal Procedure, 1973. However, even in those cases, the said

freeze is subject to the orders of the Criminal Court. However, in the present case, the facts are absolutely different, wherein there is no such complaint or order. Even for that matter, time and again the Courts have held that merely because certain offences may have been committed by the customer, that cannot, by itself, constitute a lawful basis for a unilateral freezing or withholding of the petitioners' bank accounts.

23. Further, the Hon'ble Supreme Court in the case of ***OPTO Circuits (India) Ltd. v. Axis Bank and others***, reported in ***(2021) 6 SCC 707;*** wherein freezing of bank accounts was considered by the Hon'ble Supreme Court and it was held that freezing of bank accounts cannot be done in a casual manner. It is also pertinent to note that any blanket or disproportionate freezing of bank accounts, particularly where the account holder is neither an accused nor even a suspect in the offence under investigation, is manifestly arbitrary, and in the teeth of the fundamental rights under Article 19(1)(g) and 21of the Constitution of India, which encompass the right to livelihood and freedom to carry on trade and business.

24. It should be well understood that the Respondent-Bank acts as a trustee when it accepts deposit from an account holder and it cannot be allowed to transform into an archaic money lender who may accept the deposit and refuse its return to the depositor. The bank is permitted to freeze the account only for legitimate purposes and in accordance with law. The Bank as a debtor cannot be allowed to breach the faith of the depositor, which would have serious repercussions. Admittedly, it is undisputed that petitioner is maintaining a Current Account in the respondent bank and there are sufficient funds available

for withdrawal from its Current Account. The Petitioner is a depositor and in terms of the banking practices it is clearly entitled to withdraw the amount lying in its Account. The money having been held in trust, the Bank can deny withdrawal of such amount only in exigencies which are permissible in law. Such exigencies do not arise in the facts of this case, as discussed herein above. In its absence the action of the respondent bank in refusing to operate the account of the petitioner cannot be legally sustained.

25. From perusal of records and the arguments addressed before this Court, it is an admitted position on behalf of the counsel of the Respondent-Bank that the petitioner is not accused in any F.I.R. till date nor is there anything on records, which would show any involvement of the present petitioner in any criminal activity or any alleged fraudulent suspicious activity. It is further reflected that merely owing to a large incoming transaction the account is under scrutiny and has been put under as “suspicious transaction”, and therefore, freezing of accounts has been done by the Bank itself and not on instructions by any Authorities, as may be permissible under the law.

26. The law with respect to freezing and de-freezing of accounts was settled by the Hon'ble Supreme Court in a catena of judgments. Admittedly, the Respondent-Bank did not even bother to serve a notice of pre-freezing or post-freezing of the bank account, causing immense inconvenience to the petitioner. The illegal act of freezing the bank account of the petitioner has a serious and adverse implication and invades and encroaches upon the

petitioner's invaluable right to earn and live with dignity. The petitioners are, at the very least, entitled to be informed of the reasons for freezing their bank accounts, which they are otherwise legally entitled to operate. Thus, the illegal freezing of the bank account, in essence, amounts to a violation of fundamental right of the petitioner, as it directly undermines his right to livelihood, which is integral part of the Right to Life guaranteed under Article 21 of the Constitution.

27. The learned counsel for the Respondent-Bank has prayed that in case this Court is of the opinion that the accounts are required to be de-freezed, then there is a possibility that the petitioners may withdraw the entire amount from the bank account. Therefore, some reasonable restrictions may be put and the withdrawals may be made subject to certain securities. However, this Court is of the view that the said prayer does not appear to be reasonable. The facts on record indicates that there is neither any complaint nor F.I.R. against the petitioner. In fact, the present freezing of bank account appears to be vexatious and actuated with *mala fides*. Under these circumstances, this Court deems it appropriate to allow the prayer of the petitioners seeking de-freezing of their bank account.

28. *Ergo,* the Respondent-Indian Overseas Bank is directed to de-freeze the bank accounts of the petitioner forthwith. The petitioner shall be at liberty to maintain and continue with the operations of his Current Account Number 381702000000301 in the name of his firm in the Respondent-Bank in terms of the R.B.I. guidelines.

29. As an afterward we would like to state that the relationship between a banker and its customers is that of a trustee holding money on behalf of its customers. The duty of the bank is that of a trustee and not of any investigative agency with a roving eye. One cannot countenance the argument that it is the duty of the bank to ensure that the money transaction that takes place in the accounts of the banks are done so in a legal manner. However, the bank is not in any manner empowered or entitled to initiate an action against its customers without there being any cogent material on record that has been provided to the bank from formal entities such as the Reserve Bank of India, Central Bureau of Investigating, Enforcement Directorate, police authorities amongst others. In every such instance where a designated authority approaches the bank to take action against any of the accounts of the customers of the bank, the designated authority is also required to provide some proof of certain suspicious activities.

30. A Co-ordinate Bench of this Court, in ***Khalsa Medical Store v. RBI,*** reported in ***2026 SCC OnLine All 164;*** wherein one of us (Hon'ble Shekhar B. Saraf, J.) had occasion to examine the actions of cyber-crime investigative authorities in freezing of accounts had summarized the principles as follows:

> ***"12.*** *After sifting through the ratios laid down in the catena of judgments mentioned above, and upon applying our mind to the issue at hand, the following principles may be laid down for freezing a bank account under a suspicion of cyber crime:-*
>
> *A. Section 106 of BNSS should not be interpreted to empower police officers to intervene in money disputes by seizing property especially based on mere suspicion but it must be bolstered by reasonable belief.*

B. Information for freezing the bank account by the investigating officer shall be sent immediately to the nodal officer of the bank of the beneficiary or payment service system, including the payment aggregator, so as to take action at their end. The police officer must furnish information with relation to the alleged crime and should accompany a copy of the FIR or information received. The bank or the payment system operator (PSO) may decline a request, if it is received without a copy of any complaint or FIR.

C. The notice under Section 106 of the BNSS may require to mark lien on a specific amount (money allegedly transferred from or to the bank account of accused), but in no case the police may ask or request any bank or payment system operator (PSO) including payment aggregator, to block or suspend entire financial account.

D. As soon as information to block or put on hold or marking of a lien is forwarded to a bank or any financial intermediary, including a payment system operator (PSO), then the information shall simultaneously be sent to the jurisdictional Judicial Magistrate within 24 hours. Failure to inform may render such an action as void.

E. If any bank puts on hold any bank account or escrow account maintained by any entity / citizen on the request of the police without following the proper procedure, then the bank shall be personally liable for the Civil and Criminal consequences for the loss including financial and reputational damage of such entity / citizen.

***13.** From a perusal of the above, we are of the view that in case of a cyber crime, the Investigating Officer is required to not only issue notice under Section 94/106 of the B.N.S.S., 2023 to the banks concerned but the same must contain the amount for which lien is sought. A blanket notice without indicating the amount, on which lien is being sought, would be illegal and arbitrary. Furthermore, the Investigating Officer is required to intimate the jurisdictional Magistrate of the said cyber crime and inform the banks of the case number that has been registered on basis of which said lien / freezing is sought."*

31. As is evident from the above judgment, any action that is taken by any authority has to be backed up with relevant information and must be on the basis of a complaint lodged either before the police or by approaching the magistrate. In any event, none of the

provisions under the various legislations governing bank accounts allow freezing of a bank account by the bank authority on its own volition without there being an underlying complaint. The only instance when the bank can freeze an account in its own volition is when the bank has a lien on the said account by virtue of certain loans having been taken by the customer (*see: Section 171 of the Contract Act,1872*). In the absence of such a lien no authority is present with a bank to stop the operation of an account of a customer and any such action without the authority of law is a degenerative, arbitrary, perverse and *mala fide* action that is an anathema to the rule of law and is required to be struck down heavily at the very first instance it comes before the courts of law.

32. Accordingly, the present writ petition is ***Allowed*** in the aforesaid terms.

33. Before we part with, this Court is constrained to observe that there is an increasing menace these days of freezing bank account indiscriminately. Admittedly, in the present case the Respondent-Bank has frozen the bank account of the petitioner, without any rhyme or reason and the same is not permissible as per law. Since, such indiscriminate freezing has the inevitable effect of paralysing the day-to-day business operations of the petitioner, resulting in loss of commercial goodwill and financial consequences, a cost of ₹50,000/- (Fifty thousand Only) is hereby imposed on the Respondent-Indian Overseas Bank, Alambagh branch, Lucknow, through the Branch Manager as a compensation to the petitioner. The said cost shall be payable to the petitioner

within a period of four weeks from the date a certified copy of this judgment is served on the Respondent-Bank.

April 29, 2026
MVS/-

(Abdhesh Kumar Chaudhary, J.)

I agree

(Shekhar B. Saraf, J.)