BEST ANSWER - CASE STUDY - JUNE, 2026

Overview of The Dispute

Indian Bank granted an **"At Par Facility"** to a borrower-company, honouring its cheques on the assurance of a maintained cushion fund. The borrower repeatedly defaulted, and guarantors had secured the facility via equitable mortgages on several properties. The bank obtained a Recovery Certificate from the DRT, Chennai, against the borrower and guarantors jointly and severally. The Recovery Officer got a valuation done, fixed the reserve price, and held a public auction, where the appellant won against fifteen other bidders, paid the full bid amount (a delay in the balance payment being condoned by the DRT), and received a registered Sale Certificate. The DRAT and High Court upheld the auction's validity, the bank's recovery rights, and the appellant's bona fide purchaser status, but the High Court additionally directed a fresh valuation by the DRT, without reasons, nearly a decade after sale confirmation. The appellant has appealed to the Supreme Court against this direction.

I. Issue 1: Whether an auction sale once concluded by DRT can be subjected to reconsideration of valuation and reserve price many years after confirmation of the sale?

A. Statutory Framework — RDDBFI Act, 1993 & Second Schedule Rules

The auction in the present case was conducted under the **Recovery of Debts Due to Banks and Financial Institutions Act, 1993 ("RDDBFI Act")** read with the procedure prescribed under **Rules 38 and 52(2) of the Second Schedule to the Income Tax Act, 1961**, which govern recovery and sale by the Recovery Officer. The relevant provisions are:

- **Rule 38** — Proclamation of Sale: mandates a public notice specifying the property, amount recoverable, reserve price, and time and place of auction.
- **Rule 52(2)** — Confirmation of Sale: upon payment of the full bid amount, the Recovery Officer shall confirm the sale and issue a Sale Certificate. Title vests absolutely in the purchaser upon such confirmation.
- **Rule 57** — Application to Set Aside Sale: a person aggrieved may apply within 30 days on grounds of material irregularity or fraud. Mere inadequacy of price is not a ground unless it amounts to fraud.

B. The Principle of Finality — Confirmed Sales Ordinarily Attain Conclusiveness

Once a sale is confirmed by the DRT and a registered Sale Certificate is issued, the transaction ordinarily attains **finality**. The rationale for this principle is both doctrinal and policy-driven: certainty in court-supervised transactions encourages competitive bidding, promotes fair price discovery, and protects the reasonable expectations of bona fide third-party purchasers who have paid full consideration in reliance on a court-sanctioned process.

The language of Rule 52(2) confirms this position — the Recovery Officer **'shall'** confirm the sale upon payment, and the purchaser's title vests absolutely. The use of mandatory language leaves no residual discretion to unsettle the sale on account of subsequent dissatisfaction with the price.

Central Bank of India v. C.L. Vimala & Ors.	*Confirmed sales should ordinarily attain finality. Repeated reopening of court-confirmed sales chills participation in auctions and depresses the prices achievable — ultimately defeating the very purpose of recovery proceedings.*

Janatha Textiles v. Tax Recovery Officer	*Stranger-purchasers in court-supervised sales deserve protection so that judicial sales retain credibility and are able to attract competitive bids at fair prices.*

C. The Critical Distinction — Sale Validity vs. Valuation Adequacy

The Supreme Court drew a sharp and legally significant distinction between **setting aside a confirmed sale** on one hand, and ordering **limited scrutiny of the valuation process** on the other. The High Court's direction did neither more nor less than remit the valuation question to the DRT — it did not disturb the sale, did not invalidate the appellant's title, and did not question the legitimacy of the auction process.

The Court held that the **objective of recovery proceedings** is not merely to complete a sale, but to ensure the **maximum realisation of value** from the secured asset. This objective equally serves the creditor (maximum recovery), the borrower (preventing gross undervaluation of his assets), and the integrity of the recovery system as a whole.

Issue 1 — Held	Confirmation of an auction sale does not render the matter entirely immune from judicial examination where credible concerns arise regarding the adequacy of valuation or fixation of the reserve price. Such limited scrutiny — directed at the process, not the sale — is legally permissible. The finality principle and the fairness principle co-exist; neither overrides the other.

ISSUE 1: YES — A DRT-confirmed auction sale can be subjected to limited judicial scrutiny on the question of valuation, provided the sale itself is not disturbed. The principle of finality is not a shield that immunises a flawed valuation process from review. The High Court's remand on valuation — without setting aside the sale — is legally maintainable.

Judicial Note: Om Sakthi Sekar v. V. Sukumar & ors. — Reconciling finality of auction sales with valuation review

The Judgment therefore establishes that finality of auction sales is substantial but not absolute. Judicial confirmation protects the purchaser, but it does not grant complete immunity to the valuation process from limited judicial review. This principle forms the foundation for analysing the competing interests discussed in the subsequent issue regarding the protection of bona fide auction purchasers.

Significantly, the Court maintained a balance between certainty of title for auction purchasers and fairness in recovery proceedings. It did not set aside the auction sale or disturb the purchaser's title; instead, it permitted limited scrutiny of the valuation exercise.

The Supreme Court held that confirmation of an auction sale does not completely exclude judicial scrutiny. Although the rights of a bona fide auction purchaser require strong protection, the principle of finality cannot prevent examination of the valuation process where genuine concerns exist regarding reserve price fixation or possible undervaluation.

In the said case, mortgaged properties were auctioned by the Recovery Officer during bank recovery proceedings. The appellant emerged as the successful bidder, paid the consideration, and obtained a Sale Certificate after confirmation by the DRT. The dispute before the Court was not regarding the validity of the auction itself, but whether the valuation and reserve price fixed for the properties were adequate.

The Supreme Court's decision in Om Sakthi Sekar v. V. Sukumar & Ors. *(Civil Appeal No. 3362 of 2026, decided on 13 March 2026)* provides a significant clarification on the limits of finality attached to court-confirmed auction sales.

II. Issue 2: Whether the rights of a bona fide auction purchaser override concerns regarding adequacy of valuation of secured assets?

A. The Protected Status of a Bona Fide Auction Purchaser

Indian law has consistently and strongly protected the rights of a bona fide purchaser who participates in a court-supervised auction and pays the full consideration. The policy rationale is compelling: if purchasers who act in good faith can have their title unsettled indefinitely by disgruntled defaulters, no one will participate in court auctions, defeating the entire machinery of recovery.

In the present case, the appellant's credentials as a **bona fide purchaser** are unimpeachable:

- He participated in a transparent public auction alongside sixteen other bidders.
- He paid the full bid amount (the delay in payment having been expressly condoned by the DRT itself, whose order was not separately challenged).
- He received a duly issued and registered Sale Certificate.
- He has held the property for approximately a decade, suffering prolonged financial and legal uncertainty.

B. The Limits of Protection — Fairness as an Integral Component

The Supreme Court, however, held that the protection afforded to a bona fide purchaser is **important but not absolute**. It does not extend to insulating the process by which the auction price was determined from judicial scrutiny. The Court's reasoning turns on the purpose of the protection itself:

Rajiv Kumar Jindal v. BCI Staff Welfare Association (2023 SCC Online SC 507)	*The purpose of an auction is to obtain the most remunerative price for the property by affording an opportunity to intending purchasers to participate in competitive bidding, thereby ensuring transparency and fairness. If the process of competitive bidding is curtailed or the valuation is inadequate, the court must exercise its discretion to safeguard the legitimate interests involved.*

The Court noted that protecting purchasers is not an end in itself — it is instrumental to maintaining credible, fairly-valued auctions. That very purpose is undermined if valuations are never scrutinised. Accordingly, where credible material raises a question about whether the reserve price was fixed on an adequate and proper valuation, the court retains **supervisory jurisdiction** to examine the process.

C. Consequences — Sale Preserved; Alternate Remedy Available

A critical feature of the judgment is that the High Court's remand order **did not set aside the sale** or direct return of the property to the defaulters. The appellant's title remains intact throughout the remand process. The possible consequences of the remand are confined to:

- A finding that the properties were correctly valued — in which case the matter rests there.
- A finding of undervaluation — in which case appropriate directions may be issued, which may include payment of the differential by the appellant or other consequential reliefs.

Separately, the Court acknowledged the appellant's **alternate prayer** — that if the sale were ultimately to be disturbed, he be permitted to return the property and receive a full refund of the sale consideration with interest and expenses. The Court referred to **Govind Kumar Sharma v. Bank of Baroda (2024)** for the settled principle that an innocent purchaser who suffers due to an illegality by others is entitled to complete restitution with interest.

Govind Kumar Sharma v. Bank of Baroda	*The Court upheld the setting aside of the auction sale due to procedural non-compliance by the Bank of Baroda.* *It directed the bank to refund the auction amount with 12% compound interest to the bona fide purchasers while restoring their status as tenants*

Issue 2 — Held	The rights of a bona fide auction purchaser deserve strong protection and confirmed sales should not ordinarily be disturbed. However, this protection is not absolute and does not bar scrutiny of the valuation process. The purchaser's title is protected pending the remand; the remand addresses only the fairness of the process. In the event of any adverse outcome, full restitution with interest remains available to the appellant.

ISSUE 2: NO — The rights of a bona fide auction purchaser do not absolutely override credible concerns regarding valuation adequacy. Protection of the purchaser and scrutiny of the valuation process are co-existing, not competing, imperatives. The sale stands; the process may be examined.

Conclusion

The decision in **Om Sakthi Sekar v. V. Sukumar & Ors.** reaffirms that the finality attached to a DRT-confirmed auction sale, though substantial, is not absolute. While the Supreme Court declined to disturb the appellant's title or the validity of the auction itself, it upheld the limited remand for fresh valuation, holding that the principle of finality cannot be invoked to shield the reserve-price-fixation process from judicial scrutiny where genuine concerns of undervaluation are raised.

The judgment strikes a calibrated balance between two competing imperatives: the protection of a bona fide purchaser who has acted in good faith and paid full consideration, and the broader public interest in ensuring maximum realisation of value in recovery proceedings. By preserving the appellant's title while confining the remand strictly to the question of valuation — and by affirming his entitlement to full restitution with interest should the sale ultimately be disturbed — the Court has ensured that neither interest is rendered illusory.

This ruling serves as an important reminder to auction purchasers, banks, and recovery officers alike that procedural compliance at the valuation stage is not a mere formality but a substantive safeguard. It underscores that confirmation of sale secures title, but does not foreclose accountability for the fairness of the price at which public assets are realised.