

IN THE HIGH COURT OF KARNATAKA AT BENGALURU

DATED THIS THE 17TH DAY OF OCTOBER 2026

PRESENT

THE HON'BLE MR. JUSTICE D K SINGH

AND

THE HON'BLE MR. JUSTICE H.SHANTHI BHUSHAN

WRIT PETITION NO. 20080 OF 2026 (GM-CON)

BETWEEN:

STATE BANK OF INDIA
HAVING ITS BRANCH OFFICE AT
NAGARABHAVI BRANCH, PB1,
JNANABHARTAHU CAMPUS,
BANGALORE UNIVERSITY,
BENGALURU-560 056.
REPRESENTED BY ITS MANAGER
MR. SUDHARSHAN REDDY V J

...PETITIONER

(BY SRI. VIKRAM A.HUILGOL, SNEIOR COUNSEL FOR
SRI. FRANCIS XAVIER, ADVOCATE)

AND:

PROF. K. P. SREENATH,
SON OF LATE K. PARTHANATH,
C/O SRI. SURESH.C
NO. 30, 1ST CROSS, VYALIKAVALL,
BENGALURU-560 003.

...RESPONDENT

(BY PROF.K.P. SREENATH,(PARTY IN PERSON))

THIS WRIT PETITION IS FILED UNDER ARTICLES 226 AND 227 OF THE CONSTITUTION OF INDIA, PRAYING TO A) ISSUE A WRIT OF CERTIORARI OR ANY OTHER APPROPRIATE WRIT, ORDER OR DIRECTION QUASHING THE JUDGEMENT AND ORDER DATED 15/05/2026 PASSED BY THE NATIONAL CONSUMER DISPUTES REDRESSAL COMMISSION, NEW DELHI IN REVISION PETITION DAIRY CASE NO.29/2025 ANNEXURE-A AND B) CONSEQUENTLY, QUASH THE JUDGEMENT DATED 19/09/2024 PASSED BY THE KARNATAKA STATE CONSUMER DISPUTES REDRESSAL COMMISSION IN APPEAL NO.1333/2022 AND ETC.,



THIS PETITION HAVING BEEN HEARD AND RESERVED FOR ORDERS ON 02.09.2026 AND COMING ON FOR PRONOUNCEMENT THIS DAY, **HON'BLE MR. JUSTICE H.SHANTHI BHUSHAN** PRONOUNCED THE FOLLOWING:

CORAM: HON'BLE MR. JUSTICE D K SINGH
AND
HON'BLE MR. JUSTICE H.SHANTHI BHUSHAN

CAV JUDGMENT

(PER: HON'BLE MR. JUSTICE H.SHANTHI BHUSHAN)

The respondent, a highly qualified and prudent account holder, was expected to exercise reasonable care in safeguarding his bank account, banking particulars and OTP. The disputed transactions occurred on several dates and substantial amounts were debited, yet despite receiving SMS alerts, he did not promptly inform the Bank or the police. It is also the petitioner's case that the respondent had shared his Aadhaar particulars and OTP with an unknown person. In these circumstances, the entire loss could not have been fastened upon the Bank, when the respondent's own failure to exercise due care contributed to the loss. We are conscious of the substantial amount lost by the respondent; nevertheless, having regard to his own negligence and conduct, we are unable to grant relief in his favour. Though the consequence may appear harsh, the Court cannot overlook the respondent's responsibility for the loss occasioned by his own failure to exercise reasonable care and caution.

This Writ Petition is directed against the order dated 15.05.2026 passed by the National Consumer Dispute Redressal Commission, New Delhi ('**National Commission**' for brevity) in Diary Case No.29/2025.

CASE OF THE RESPONDENT/COMPLAINANT:

2. The respondent, Prof. K.P. Sreenath, states that he is a retired Professor of Botany, Bangalore University, and had retired from service in November 2017. After his retirement, an amount of approximately Rs.25,00,000/- towards gratuity and DCRG was credited to his savings account maintained with the petitioner, i.e., State Bank of India, Nagarabhavi Branch. On 11.03.2019, the respondent instructed the petitioner to transfer the said amount to his account maintained with Syndicate Bank, Yadavanahalli Branch, Kunigal Taluk, Tumkur District, and paid the required RTGS charges.

3. According to the respondent, the amount was neither transferred nor was he informed about the failure of the transaction. As he was residing in his native place where there was no proper mobile network, he could not immediately monitor the transactions in his account. On personally visiting the petitioner on 30.04.2019, he came to know that between

12.04.2019 and 30.04.2019, an amount of Rs.12,93,922/- had been withdrawn from his account through several unauthorised transactions. He then brought the matter to the notice of the petitioner and sought necessary action for recovery of the amount.

4. The respondent further states that, following the discovery of the unauthorised withdrawals, he lodged a complaint before the Jnanabharathi Police Station on 30.04.2019, and thereafter, submitted a complaint before the Cyber Crime Police Station on 17.05.2019, which was registered as Crime No.3665/2019. He also addressed a complaint to the Banking Ombudsman on 07.01.2020 and subsequently submitted a representation to the Commissioner of Police, Infantry Road, Bengaluru, on 13.10.2020, seeking speedy investigation and recovery of the amount.

5. According to the respondent, despite his repeated complaints and representations, the amount was not recovered, and he alleged that the petitioner had failed to take effective steps to safeguard his account and prevent the fraudulent transactions. He accordingly filed Consumer Complaint No.329/2021 under Section 35 of the Consumer Protection Act, 2019 ('Act') on 23.07.2021 before the District Consumer

Disputes Redressal Commission (**'District Commission'**), alleging deficiency in service and seeking refund of Rs.12,93,922/- with interest, apart from Rs.1,00,000/- towards compensation for mental agony, and other reliefs.

CASE OF THE PETITIONER-BANK:

6. The petitioner, in its objection/version filed before the District Commission, denied the allegation of deficiency in service and contended that it had taken all necessary steps to protect the accounts and funds of its customers. The petitioner specifically contended that the respondent had failed to exercise due care in handling his banking credentials and that the disputed transactions could not be attributed to any negligence on the part of the Bank. It was stated that the Bank had been issuing cautionary advertisements in newspapers and sending SMS alerts to its customers warning them not to disclose their Aadhaar number, OTP, TOPTP or MPIN to any person.

7. The petitioner further contended that SMS alerts relating to the disputed transactions had been sent to the mobile number registered with the respondent's account, but that the respondent had failed to take immediate action upon

receiving the same. The petitioner therefore maintained that the loss, if any, could not be fastened upon the Bank merely because the transactions were subsequently alleged to be unauthorised.

8. The petitioner further contended that the disputed transactions commenced on 12.04.2019 and that the respondent came to know about the transactions only on 30.04.2019, and that there was delay in reporting the same to the petitioner. The petitioner disputed the respondent's allegation that the transactions had occurred on account of any failure of the petitioner's security system and contended that there was no material to establish that the petitioner had been negligent or that the disputed transactions had occurred due to any technical or security lapse attributable to it.

9. Reliance was also placed upon the RBI Circular dated 06.07.2017 relating to customer protection and limited liability in unauthorised electronic banking transactions. On these grounds, the petitioner maintained that there was no deficiency in service on its part and sought dismissal of the complaint.

AWARD OF THE DISTRICT COMMISSION:

10. The District Commission, by order dated 27.05.2022, held the petitioner-Bank liable in respect of the unauthorised withdrawal of Rs.12,93,922/- from the respondent's account between 12.04.2019 and 30.04.2019. The District Commission noted that the respondent came to know of the transactions on 30.04.2019 and reported the same to the Bank on 02.05.2019, and rejected the petitioner's contention that the respondent's sharing of Aadhaar details or receipt of SMS alerts established negligence on his part.

11. Referring to the RBI Circular dated 06.07.2017 on customer protection and limited liability in unauthorised electronic banking transactions, the District Commission held that the respondent was entitled to the benefit of zero liability and that the petitioner had failed to establish any negligence attributable to him. Accordingly, the petitioner was directed to refund Rs.12,93,922/- with applicable SB rate of interest from the respective dates of debit till payment, besides Rs.25,000/- towards damages and Rs.10,000/- towards litigation expenses, within 30 days.

ORDER OF THE STATE COMMISSION:

12. Aggrieved by the order dated 27.05.2022, the petitioner preferred an appeal before the Karnataka State Consumer Disputes Redressal Commission, Bengaluru (**'State Commission'**). By order dated 19.09.2024, the State Commission considered the petitioner's contention that the respondent had received SMS alerts but failed to act immediately and had shared his Aadhaar particulars with an unknown person. The State Commission, however, noticed that the respondent was not using SBI YONO/net banking and ordinarily operated the account through cheque and ATM, while the disputed transactions were effected through UPI, Paytm Payment Bank and Airtel Payment Bank.

13. It held that mere sharing of Aadhaar particulars could not be treated as sharing of banking credentials and further found that the respondent, having come to know of the transactions on 30.04.2019, reported the matter to the Bank on 02.05.2019. Relying upon the RBI Circular dated 06.07.2017, the State Commission held that the respondent was entitled to the benefit of zero liability, found no error in the order of the District Commission and accordingly dismissed the appeal on 19.09.2024.

REVISION ORDER OF THE NATIONAL COMMISSION:

14. Aggrieved by the order dated 19.09.2024 passed by the State Commission, the petitioner preferred a revision before the National Commission, registered as Revision Petition in Diary No.29/2025. The National Commission, by order dated 15.05.2026, considered the petitioner's contention regarding the respondent's alleged negligence and the applicability of the RBI Circular dated 06.07.2017. It noticed that the respondent had come to know of the disputed transactions on 30.04.2019 and had informed the Bank on 02.05.2019, and held that mere sharing of Aadhaar particulars could not be treated as sharing of OTP or MPIN.

15. The Commission found that the petitioner had not produced cogent material to establish negligence on the part of the respondent and held that paragraph 6(ii) of the RBI Circular, relating to zero liability, applied to the case. Finding no ground to interfere with the concurrent findings of the District and State Commissions, the National Commission dismissed the revision on 15.05.2026 and affirmed the direction fastening liability upon the petitioner.

16. Aggrieved by the said order of the National Commission, the petitioner has challenged the same before this court on following, among other, grounds.

GROUND OF THE PETITIONER'S CHALLENGE:

17. The petitioner contends that the National Commission, by order dated 15.05.2026, erred in affirming the orders passed by the State Commission and the District Commission, without properly appreciating the circumstances in which the disputed electronic transactions involving Rs.12,93,922/- were carried out.

18. According to the petitioner, the transactions were preceded by generation and transmission of OTPs to the mobile number registered with the respondent's account, and the respondent had received SMS alerts but did not immediately report the transactions to the Bank. It is contended that the fora below failed to properly consider the respondent's sharing of Aadhaar particulars, the use of his registered mobile number, generation of OTPs and the circumstances leading to completion of the transactions, while wrongly holding that there was no negligence on his part merely because there was no direct evidence of sharing of OTP or MPIN.

19. The petitioner further contends that the RBI Circular dated 06.07.2017, particularly the provisions relating to customer negligence and zero liability, was not properly appreciated and that the entire loss could not have been fastened upon the petitioner without establishing any failure in its banking or security systems. On these grounds, the petitioner seeks interference with the order of the National Commission.

20. We have heard Shri.Vikram A.Huilgol, learned Senior Counsel on behalf of Shri. Francis Xavier, learned counsel for the petitioner; Prof. K.P. Sreenath, the respondent, who has appeared party-in-person; and we have carefully perused the records placed before us.

POINT FOR CONSIDERATION:

21. The question that arises for our consideration in this petition is:

"Whether the order passed by the National Commission calls for interference by this Court?"

REASONS AND CONCLUSION:

22. At this juncture, we would place some emphasis on the stand taken by the petitioner before the fora below. The petitioner had filed its detailed objections before the District Commission, from which it is noticed that the respondent had instructed the petitioner on 11.03.2019 to transfer the retirement amount of about Rs.25,00,000/- to his other bank account. The petitioner's specific case was that the account number furnished by the respondent for the RTGS transfer did not exist, and therefore, the amount could not be transferred, and that the respondent was informed of the same by SMS. This aspect was not properly considered while examining the subsequent transactions in the account.

23. The petitioner had also specifically pleaded that the respondent was repeatedly operating the account and was not unfamiliar with the banking transactions. The transaction statement produced by the petitioner shows that on 15.04.2019, the respondent himself effected transactions including transfer of Rs.1,50,017/- through NEFT to one, Abhishek Sehrawath, withdrew Rs.1,50,000/- and Rs.80,350/- under cheque Nos. 034229, 034230 and 034231, respectively. Therefore, the account was being actively operated by the

respondent during the very period when the disputed transactions were taking place.

24. The petitioner specifically brought on record that the fraudulent transactions had commenced on 12.04.2019, initially with a transaction of Re.1/-, and that the respondent continued to operate the account on 15.04.2019. The respondent, however, did not report the disputed transactions to the Bank until his letter dated 02.05.2019. The petitioner had also placed before the Commission the report of the Internal Ombudsman, which recorded that the UPI transaction was preceded by an OTP sent on 12.04.2019 at about 10.21 a.m. to the mobile number registered with the account, and that after receipt of the OTP the MPIN could be set. The Internal Ombudsman recorded the possibility that the OTP had been shared with the fraudster. The same report also noticed that the respondent had admitted sharing his Aadhaar number with the person who had contacted him.

25. The petitioner had further specifically relied upon the respondent's own complaint before the Cyber Crime Police and his statement regarding the person who had represented himself as a Bank Manager and sought his Aadhaar particulars. The respondent had admitted that he furnished the Aadhaar

number. This aspect is to be appreciated in the background of the fact that the petitioner as well as the Government of India had repeatedly cautioned customers not to disclose their personal and banking particulars to unknown persons. Despite the same, the respondent admittedly parted with his Aadhaar particulars to a person whose identity he did not know.

26. He had also admitted that SMS messages were received in respect of the transactions. The petitioner produced the SMS records showing that alerts were sent to the registered mobile number when the debits took place. The respondent's explanation that he ignored the messages because he had confidence in the petitioner-bank cannot, in the circumstances of the present case, be accepted as sufficient explanation for the delay.

27. The petitioner had also relied upon the RBI Circular dated 06.07.2017 titled as "*Customer Protection – Limiting Liability on Customers in Unauthorized Electronic Banking Transactions*", which contains the circumstances in which the customer would be completely liable for any loss occurring due to unauthorized transactions. The National Commission noted Para 6(ii) of the Circular, which states that the customer will have zero liability when the unauthorized transaction occurs

due to a third party breach, where the deficiency lies neither with the bank nor with the customer, but lies elsewhere in the system, and the customer notifies the bank within three working days of receiving the communication from the bank regarding the unauthorized transaction. As such, the National Commission fastened zero liability upon the respondent by placing reliance upon Para 6(ii). However, we are inclined to disagree with this finding of the National Commission because in our considered opinion, the present case falls under Para 7(i) and not Para 6(ii) of the RBI Circular dated 06.07.2017.

28. Para 7(i) states that if there are losses caused from unauthorized transactions due to the negligence of the customer, such as, sharing of the payment credentials, then the customer shall be liable for the entire amount of such loss until he reports the unauthorized transaction to the bank. Further, any loss that has occurred after such reporting shall be borne by the bank.

29. In our view, facts of the present case squarely fall under the scenario under Para 7(i), wherein the complete liability is placed upon the customer. In the circumstances of the present case, the respondent had ignored the fraudulent transactions from 12.04.2019 to 30.04.2019, although he had

real-time knowledge regarding the same. The respondent waited until 30.04.2019 to ascertain the position of his account and thereafter reported the matter to the petitioner on 02.05.2019. The petitioner immediately blocked further attempts upon receiving the complaint and referred the matter to the Internal Ombudsman. Thus, the material does not disclose that the Bank remained inactive after receiving information of the fraud. The subsequent police complaint dated 17.05.2019 also cannot retrospectively cure the respondent's failure to act when the transactions and corresponding alerts were taking place.

30. The respondent is a retired Professor of Botany and had been dealing with a substantial amount of his retirement benefits. Once an SMS was received showing a debit from his account, nothing prevented him from immediately contacting the Bank. Even if the first transaction on 12.04.2019 had escaped his attention, the subsequent transactions and the SMS alerts continued, and the respondent himself operated the account on 15.04.2019. The failure to react to the repeated alerts is therefore a material circumstance, which would depict that the respondent was himself negligent.

31. We have also noted that the respondent had himself stated, in his complaint before the Cyber Crime Police, that he had shared his Aadhaar details to an unknown person; and the Internal Ombudsman's observation of the possibility that the respondent had shared the OTP. All these factors considered together would depict a course of conduct wherein the respondent had been negligent in safeguarding his own interest. Having been negligent, it is not open to him to shift the blame upon the petitioner.

32. These circumstances would go to show that the present case falls under Para 7(i) of the RBI Circular dated 06.07.2017. The respondent had slept on his right and notified the bank about the unauthorized transactions only after the transactions had taken place. As such, in terms of Para 7(i), the respondent is liable for the entire amount of loss that he has sustained due to his own negligence.

33. The National Commission, while applying the provision relating to zero liability, has not properly dealt with the factual material produced by the Bank regarding the respondent's conduct and the repeated alerts. The distinction between zero liability and customer liability on account of

negligence or delayed reporting could not have been decided without examining these facts in their proper sequence.

34. The finding that the respondent was entitled to zero liability also overlooks the material circumstance wherein the Internal Ombudsman had observed that the respondent had shared his Aadhaar number with the unknown person. The fact that the respondent was thereafter able to receive SMS alerts on his registered mobile number is also borne out from the material produced by the petitioner. The respondent cannot, on the one hand, rely upon the receipt of SMS alerts to say that the petitioner ought to have protected the account and, on the other hand, seek to explain away his own failure to act upon those very alerts by stating that he had confidence in the petitioner. On the facts of this case, the evidence regarding the sharing of the Aadhaar particulars, the OTP, the receipt of the SMS alerts and the failure to immediately report the transactions required a finding on the respondent's negligence before the liability could be fastened upon the petitioner.

35. In light of the above, we find that no such deficiency in service on the part of the petitioner is established. The material on record shows that the respondent had received SMS alerts in respect of the disputed transactions, had himself

operated the account during the period in which the transactions occurred, and had shared his Aadhaar particulars with a person whose identity was not known to him. Despite receiving repeated alerts, the respondent did not immediately bring the unauthorized transactions to the notice of the petitioner and reported the same only on 02.05.2019. The petitioner, on the other hand, has produced the transaction records and SMS records and, upon receiving the complaint, took steps to block further transactions and placed the matter before the Internal Ombudsman. In these circumstances, there is no material to establish any fault, omission or negligence in the manner in which the petitioner performed its banking services so as to constitute "deficiency" within the meaning of Section 2(11) of the Act.

36. The mere fact that unauthorized transactions occurred in the respondent's account cannot, by itself, lead to a conclusion that there was deficiency in service on the part of the petitioner. The respondent was also required to exercise reasonable care in safeguarding his banking particulars and OTP and to promptly report any unauthorized transaction upon receiving the corresponding alerts. Having regard to his conduct in the present case, the loss cannot be attributed

entirely to any act or omission on the part of the petitioner. Consequently, the finding of deficiency in service recorded by the District Commission and affirmed by the State Commission and the National Commission is unsustainable. The petitioner cannot be held liable for the loss under Section 2(11) of the Act in the absence of any established fault, omission or negligence on its part.

Accordingly, we pass the following;

ORDER:

- (i) The Writ Petition is ***allowed;***
- (ii) The order dated 15.05.2026 passed by the National Consumer Dispute Redressal Commission, New Delhi, in Diary Case No.29/2025, is hereby set aside.

No order as to cost.

**Sd/-
(D K SINGH)
JUDGE**

**Sd/-
(H.SHANTHI BHUSHAN)
JUDGE**

KNM