



IN THE HIGH COURT OF KARNATAKA AT BENGALURU



DATED THIS THE 23RD DAY OF OCTOBER, 2025

BEFORE

THE HON'BLE MR. JUSTICE SURAJ GOVINDARAJ

WRIT PETITION NO. 16040 OF 2025 (CS-RES)

BETWEEN

MUNIREDDY REDDY
S/O LATE APPAYANNA
AGE 69 YEARS
SRI HARINIVAS
VISHVANATHAPURA, AREKERE POST,
YELAHANKA TALUK
BENGALURU-561203

.... PETITIONER

(BY SRI. JAYAKUMAR S. PATIL., ADVOCATE FOR
SRI. DEVIPRASAD SHETTY., ADVOCATE)

AND

1. REGISTRAR OF CO OPERATIVE SOCIETIES
NO. 1, ALI AAKER ROAD,
INFANTRY ROAD,
BENGALURU-560001.
2. KARNATAKA RAJYA SOUHARDA SAMYUKTHA
SAHAKARI NIYAMITHA
SOUHARDA SAHAKARI SOUDHA,
1ST BLOCK, BETWEEN 17TH AND 18TH CROSS
RAJAJINAGAR, BENGALURU-560010
REPRESENTED BY ITS MANAGING DIRECTOR
3. MAHAYOGI VEMANA SOURDHA PATINA
SAHAKARI SANGHA NIYAMITHA
NO. 784, VEMANA SOUDHA
8TH A CROSS, LION SEVA BHAVANA ROAD
YELAHANKA NEW TOWN
BENGALURU560064





REPRESENTED BY ITS CHIEF EXECUTIVE OFFICER.

(RESPONDENT NO. 2 AND 3 IS REGISTERED UNDER THE
KARNATAKA SOUHANDHA SAHAKARI ACT 1997)

4. SAMPANGI REDDY R
S/O RAMAIAH
AGED ABOUT 50 YEARS
R/O NO. 38/1, SHIVATEJ, KAKOLU ROAD,
VENUGOPALA SWAMY LAYOUT,
NEAR SVIT ENGINEERING COLLEGE,
RAJANUKUNTE, BENGALURU-560064
5. M.N. REDDY
S/O MUNISWAMY REDDY
AGED ABOUT 55 YEARS
R/O NO. 45, 3RD B MAIN ROAD, 4TH CROSS,
3RD BLOCK, KALYAN NAGAR,
BENGALURU 560043
6. BABU REDDY
S/O B.H KRISHNA REDDY
AGE 50 YEARS
R/O NO. 111, AMMANA MANE,
PATEL HANUMANTHARAYAPPA ROAD,
BYRATHI. BENGALURU-560077,

RESPONDENT NO. 4 TO 6 ARE DIRECTORS OF
MAHAYOGI VEMANA SOURDHA PATINA
SAHAKARI SANGHA NIYAMITHA, BENGALURU.

.... RESPONDENTS

(BY SRI. YOGESH D. NAIK., AGA FOR R1;
SRI. VINAY VENUGOPAL., ADVOCATE FOR R4 TO R6;
SRI. A. DEVARAJA., ADVOCATE FOR R2;
SRI. DEEPAK NAROJI., ADVOCATE FOR R3)

THIS WRIT PETITION IS FILED UNDER ARTICLES 226 & 227
OF THE CONSTITUTION OF INDIA PRAYING TO ISSUE A WRIT IN THE
NATURE OF CERTIORARI QUASHING THE ORDER PASSED BY THE r2
DATED 30.12.2023 IN COMPLAINT NO. SAM.SA-145/NI/BGU-
0132/2023-24 PRODUCED AT ANNEXURE-K AND ETC.

THIS WRIT PETITION COMING ON FOR ORDERS AND HAVING
BEEN RESERVED FOR ORDERS ON 25.07.2025, THIS DAY, THE
COURT PRONOUNCED THE FOLLOWING:

CORAM: HON'BLE MR. JUSTICE SURAJ GOVINDARAJ



CAV ORDER

1. The Petitioner is before this Court seeking for the following reliefs:
 - i. Issue a writ in the nature of certiorari quashing the order passed by the R2 dated 30.12.2023 in complaint No. SAM.SA-145/Ni/BGU-0132/2023-24 produced at Annexure-K.*
 - ii. Issue a writ in the nature of certiorari quashing the order passed on 06.05.2025 in Appeal No. RCS:DAP:D1:17:2023-24 by the R1 produced as Annexure-P.*
 - iii. Pass such other writ, order or direction that this Hon'ble Court deems fit under the circumstances of the case.*

2. Petitioner claims to be a director of Respondent No.3-Primary Society, Respondents No.4 to 6 were other directors had filed a complaint before Respondent No.1-Registrar of Co-operative Societies seeking for disqualification of the Petitioner on the ground that the Petitioner had stood as surety for a mortgage loan obtained by one Mr.Ravishankar Reddy, who had defaulted in repaying the loan amount. In furtherance of which, a notice was issued to the Petitioner on 18.05.2023 followed by



another notice on 11.08.2023 by Respondent No.3-Co-operative Society.

3. The Petitioner initially had sought for time and later furnished a detailed reply, alleging that the said reply has not been considered and without consideration an order has been passed disqualifying the Petitioner from the directorship of respondent No.3-Co-operative Society and also contesting in any election of the Co-operative Society for a period of two years on 30.12.2023 by respondent No.2 which has been confirmed by respondent No.1-Registrar of Co-operative Societies on a appeal. It is in that background, that the Petitioner is before this Court challenging both the said orders.

4. The submission of Sri.Jayakumar S.Patil., learned Senior Counsel appearing for the Petitioner is that;

4.1. One Mr.Ravishankar Reddy having membership No.323 had obtained a long-term loan of Rs.45 lakhs from respondent No.3, towards which the



Petitioner stood as surety at the request of Mr.Ravishankar Reddy, on the ground that Mr.Ravishankar Reddy was in the lookout for surety and until then as a stop gap arrangement, the Petitioner was to stand as surety.

4.2. When Mr.Ravishankar Reddy did not bring a new surety and had also become irregular in making payment of loan instalments. The Petitioner wanted to retire as a surety and in terms of Rule 5 (3) of the Business Rules of the Co-operative Society, which permitted the surety to retire by giving due notice to the principal borrower, such a notice had been given by the Petitioner.

4.3. The notice was placed before the Board Meeting of respondent No.3 on 17.02.2023 in pursuance of which a resolution dated 06.03.2023 was passed and notices were issued to



Mr.Ravishankar Reddy to make available a fresh surety on account of the Petitioner having retired as a surety.

4.4. The retirement letter dated 14.11.2022 of the Petitioner having been placed before the Board meeting held on 17.02.2023, 14 Directors being present, the said Resolution was passed by majority with only Respondents No.4 and 6 opposing the same.

4.5. The Resolution having been passed, the Petitioner is no longer the surety and as such if there is any default on part of Mr.Ravishankar Reddy, the Petitioner, no longer being surety, is not responsible and therefore could not be disqualified. It was the duty and obligation on the part of Mr.Ravishankar Reddy to substitute the surety, once the Petitioner has categorically indicated that he would no longer wish to continue as a surety, the default is solely on



part of Mr.Ravishankar Reddy; the Petitioner cannot be held responsible for the same.

4.6. On the retirement of the Petitioner as surety, the Society has raised a dispute under Section 70 of the Karnataka Co-operative Societies Act, 1959, in Dispute No.48 of 2023-24 where notice has been issued to the said Mr.Ravishankar Reddy. All these factors have been brought to the notice of Respondent No.2. It was required for Respondent No.2 to have considered this in the right perspective, more particularly by-law 5(3) and also ought to have taken into consideration the Resolution which had been passed by the Primary Society permitting the Petitioner to withdraw as a surety.

4.7. The respondent No.2 also ought to take into consideration that a dispute had been filed, and in the dispute, the borrower had been directed



to make payment of the dues with interest, which has been challenged before the Karnataka Appellate Tribunal, where Mr.Ravishankar Reddy has deposited 25% of the award amount. These documents not having been considered has resulted in the impugned order dated 30.12.2023 at Annexure-K having been passed, disqualifying the Petitioner for a period of two years.

4.8. An appeal having been filed under Sub-section (5) of Section 25 of the Karnataka Souharda Sahakari Act 1997, though an interim order of stay had been granted, subsequently the appeal filed by the Petitioner came to be dismissed.

4.9. Respondent No.1-Appellate Authority had allowed the impleading application filed by Respondents No.4 to 6. Respondents No.4 to 6 have acted in a political manner to target the



Petitioner. At their behest, the interim order which had been passed came to be vacated, which the Petitioner had challenged by filing WP No.2928 of 2025 which came to be allowed, and the order of stay continued till disposal of the appeal.

4.10. The appeal filed by the Petitioner and another appeal filed by respondents No.4 to 6 seeking for enhancement of disqualification to five years were clubbed together. Respondent No.1 dismissed the appeal filed by the Petitioner without considering all the material aspects.

4.11. His submission is that when the Petitioner indicated his intention to retire, it was for the borrower to bring a new surety and regularise the loan account. The notice having been issued by the Petitioner under Rule 5(3) has been accepted by the Board by passing a resolution



with the majority of 12 Directors out of 14 Directors in support of the Petitioner.

4.12. Any default made by Mr.Ravishankar Reddy the borrower, cannot be held to be on account of the Petitioner and on account of the default of Mr.Ravishankar Reddy, the Petitioner cannot be disqualified from being a director or from contesting for the post of directors.

4.13. This aspect not having been considered by the respondent No.2 the original order, as also by the respondent No.1 in the appellate stage, Sri.Jayakumar S.Patil., learned Senior counsel for the Petitioner submits that this Court ought to take into consideration these aspects and allow the red petition by setting aside both the aforesaid orders.

4.14. He relies upon the decision of the Hon'ble Apex Court in ***Bank of Bihar Ltd Vs., Dr.Damodar***



Prasad and Another¹ more particularly unnumbered para, which are reproduced hereunder for easy reference;

The demand for payment of the liability of the principal debtor was the only condition for the enforcement of the bond. That condition was fulfilled. Neither the principal debtor nor the surety discharged the admitted liability of the principal debtor in spite of demands. Under Section 128 of the Indian Contract Act, save as provided in the contract, the liability of the surety is coextensive with that of the principal debtor. The surety became thus liable to pay the entire amount. His liability was immediate. It was not deferred until the creditor exhausted his remedies against the principal debtor.

It is now suggested that under Order XX, rule 11(1), and section 151 of the Code of Civil Procedure, the court passing the decree had the power to impose the condition that the judgment-creditor would not be at liberty to enforce the decree against the surety until the creditor has exhausted his remedies against the principal. Order XX, rule 11(1), provides that "where and in so far as a decree is for the payment of money, the court may for any sufficient reason at the time of passing the decree order that payment of the amount decreed shall be postponed or shall be made by instalments, with or without interest, notwithstanding anything contained in the contract under which the money is payable." For making an order under Order XX, rule 11(1), the court must give sufficient reasons. The direction postponing payment of the amount decreed must be clear and specified. The injunction upon the creditor not to proceed against the surety

¹ 1968 SCC Online SC 280



until the creditor would exhaust his remedies against the principal. Is the creditor to ask for imprisonment of the principal Is he bound to discover at his peril all the properties of the principal and sell them; and if he cannot, does he lose his remedy against the surety? Has he to file an insolvency petition against the principal? The trial court gave no reasons for this extraordinary direction. The Court rejected the prayer of the principal debtor for payment of the decretal amount in instalments as there was no evidence to show that he could not pay the decretal amount in one lump sum. It is, therefore, said that the principal was solvent. But the solvency of the principal is not a sufficient ground for restraining execution of the decree against the surety. It is the duty of the surety to pay the decretal amount. On such payment he will be subrogated to the rights of the creditor under Section 140 of the Indian Contract Act, and he may then recover the amount from the principal. The very object of the guarantee is defeated if the creditor is asked to postpone his remedies against the surety. In the present case the creditor is a banking company. A guarantee is a collateral security usually taken by a banker. The security will become useless if his rights against the surety can be so easily cut down. The impugned direction cannot be justified under Order 20 Rule 11(1). Assuring that apart from Order 20 Rule 11(1) the Court had the inherent power under Section 151 to direct postponement of execution of the decree, the ends of justice did not require such postponement.

4.15. On these grounds, he submits that the above writ petition is required to be allowed.



5. Sri.Vinay Venugopal., learned counsel for appearing for respondents No.4 to 6 would submit that;

5.1. Mr.Ravishankar Reddy had borrowed a sum of Rs.45 lakhs on 17.09.2021 in terms of which he has to repay the loan within 120 equated monthly instalments. The Petitioner, who was the President of the Society, had stood surety for Mr.Ravishankar Reddy. After paying about nine EMIs, Mr.Ravishankar Reddy defaulted on the loan and stopped making payments of the due amounts. There are 111 EMIs still remaining unpaid.

5.2. On 14.11.2022, after a lapse of about five months from the default by the Principal Debtor, knowing fully well that the Petitioner has surety would be bound to repay the amounts. He had unilaterally sent a letter to respondent No.3 of his intention to retire as a surety without any substitution.



- 5.3. He submits that the Petitioner, being a powerful political figure, exerted undue influence over the Board and got a resolution passed which is completely unauthorised and illegal by unilaterally permitting the Petitioner to retire from suretyship without any substitution.
- 5.4. The Society, having proceeded to recover the monies, has only proceeded against the Principal Borrower and not against the surety, which also indicates the complicity of the Society and the Board of Directors with the Petitioner. On account of such evasion by the President, the interest of the Society has suffered inasmuch as the Society has been unable to recover the due amounts from the defaulter or the guarantor/Surety.
- 5.5. This aspect has properly been considered by Respondent No.2 and the punishment of disqualification for a period of two years, which



has been imposed, is proper and correct. The same has been confirmed by Respondent No.1 is also proper and correct is his submission.

5.6. His submission is also that the actions on the part of the President to unilaterally seek for withdrawal from the guarantee/surety cannot be accepted. The surety in terms of Section 126 of the Indian Contract Act, 1872 would be bound to discharge the dues of the Principal Debtor i.e. Mr.Ravishankar Reddy.

5.7. In terms of Section 128 of the Indian Contract Act, 1872 the liability of the surety is co-extensive with that of the Principal Debtor and in that background, he submits that proceedings have been taken up only against the Principal Borrower without invoking the jurisdiction against the surety, being contrary to Section 128, is bad in law.



- 5.8. A huge amount having been borrowed by Mr.Ravishankar Reddy, that amount not having been paid by him or by the guarantor, it is the interest of Society which suffers. It is the duty of the surety to see to it that the Principal Debtor pays the debt, and if he does not so pay to make payment of the same and recover it from the Principal Debtor.
- 5.9. In the present matter, the Petitioner as a guarantor, has sought to evade his responsibility by seeking to retire from suretyship, which is not recognised under law. A President of a Society could not act in such a manner, there is a responsibility of a Director and the President to see to it that the Society's interests are safeguarded. Instead of doing so, in the present matter, the Petitioner has only looked after his personal interest and sought to



retire from the suretyship by putting at distress the Society.

5.10. The Petitioner having stood as surety for Mr.Ravishankar Reddy, it was required of him to either get Mr.Ravishankar Reddy to make payment of the due amounts or to make payment of the amounts and collect it from Mr.Ravishankar Reddy. The retirement, if any, can only be after the suretyship is replaced/substituted without such replacement or substitution, the Petitioner could not have retired as a surety. On these grounds, he submits that the writ petition is required to be dismissed.

6. Sri.A.Devaraja., learned counsel appearing for Respondent No.2 submits that the Respondent No.2-Federal Society has issued notices, heard the Petitioner, considered all the relevant factors and



passed the orders taking into consideration that a surety cannot retire unilaterally.

7. Sri.Yogesh D. Naik., learned AGA would submit that it is the obligation of the surety to make payment of the due amounts if the Principal Debtor were to default. In the present matter, there being a default on the Principal Debtor, it was the obligation on the part of the surety to make payment of the due amounts. Not having done so, proceedings ought to have been initiated against the Petitioner, the Society has acted in a manner contrary to law.
8. Heard Sri.Jayakumar S. Patil., learned Senior counsel appearing for the Petitioner, Sri.Yogesh D. Naik, learned AGA for Respondent No.1, Sri.Vinaya Venugopal., learned counsel appearing for Respondents No.4 to 6 and Sri.A.Devaraja., learned counsel appearing for Respondent No.2. Perused Papers.
9. The points that would arise for determination are;



1. **Whether a surety for a bank loan can unilaterally withdraw from suretyship without substitution?**
2. **Whether in the present matter, the orders passed by Respondent No.2 and then on appeal by Respondent No.1 require any interference?**
3. **What order?**

10. I answer the above points as under;

11. **Answer to Point No.1: Whether a surety for a bank loan can unilaterally withdraw from suretyship without substitution?**

11.1. Bylaw 5(3) is reproduced hereunder for easy reference;

5.3. ಸಾಲ ಪಡೆಯುವವರು ಮರು ಪಾವತಿಗಾಗಿ ಒಬ್ಬರು ಅಥವಾ ಇಬ್ಬರು ಯೋಗ್ಯ ಜಾಮೀನುದಾರರನ್ನು ಕೊಡಬೇಕು ಆಕಸ್ಮಿಕವಾಗಿ ಜಾಮೀನುದಾರರು ಮರಣ ಹೊಂದಿದರೆ ಅಥವಾ ನಿವೃತ್ತಿ ಹೊಂದಿದರೆ ಆ ದಿನದಿಂದ ಹದಿನೈದು ದಿವಸಗಳಲ್ಲಿ ಬೇರೆ ಮತ್ತೊಬ್ಬ ಅರ್ಹ ಸದಸ್ಯರ ಜಾಮೀನು ಕೊಡಬೇಕು. ಸಾಲಗಾರರು ಮತ್ತೊಬ್ಬ ಜಾಮೀನುದಾರರನ್ನು ಕೊಡುವಲ್ಲಿ ವಿಫಲವಾದರೆ, ಎಲ್ಲಾ ಸಾಲವು ತಕ್ಷಣ ಬಡ್ಡಿಯೊಂದಿಗೆ ಮರುಪಾವತಿ ಮಾಡತಕ್ಕದ್ದು.

11.2. By relying on this Bylaw, it is contended by Sri.Jayakumar S. Patil., learned Senior counsel for the Petitioner that the Petitioner can retire unilaterally from suretyship.



11.3. A perusal of Bylaw 3 would indicate that for the purpose of sanctioning of loan, one or two guarantors are required. In the event of their being untoward death of one of the guarantors within 15 days of such demise the Principal Borrower is required to make available a fresh guarantor and in the event of the fresh guarantor not being provided the entire due amount would be payable immediately. The above provision does not in any manner indicate that a guarantor/surety can resign or retire from such guarantor/suretyship unilaterally.

11.4. Section 128 of the Indian Contract Act, 1872 is reproduced hereunder for easy reference;

128. Surety's liability;

The liability of the surety is co- extensive with that of the principal debtor, unless it is otherwise provided by the contract.

11.5. A perusal of Section 128 would categorically indicate that the liability of a surety/guarantor



is co-extensive with that of the Principal Borrower, and this liability shall continue until the loan is repaid. The aspect of a guarantor being required when a loan is sanctioned is to ensure that the repayment of the loan is made by either the Principal Borrower or the guarantor. Of course, the guarantor would have the right of subrogation, entitling the guarantor to receive the monies from the Principal Borrower, if paid by the guarantor.

11.6. In the present case, a unilateral letter has been issued by the Petitioner seeking to retire from suretyship, which has apparently been accepted in a meeting of the Board by 12 of the Directors voting in favour of the Resolution. The Petitioner, who is the President of the Society, has apparently been able to get the Board to pass a resolution in his favour, which is contrary to law.



11.7. The only manner in which the Petitioner would be discharged is by either Mr. Ravishankar Reddy making payment of the due amounts or by Mr. Ravishankar Reddy providing one more surety to replace the Petitioner as a surety.

11.8. The facts leading up to the matter namely the resignation of the Petitioner as surety again leaves much to be desired in as much as even, in para 3 of the petition it has been categorically stated "that when the borrower did not bring a new surety as agreed upon by Ravishankar Reddy, and also as the Ravishankar Reddy failed to repay regular loan instalments the Petitioner herein left with no other option wanted to retire as a surety holder for Ravishankar Reddy, since there is a provision in Rule no. 5(3) of the Business Rules of Respondent No.3, wherein it clearly says that in case the surety holder wants to retire from



the surety he can do so by giving due notice to the Principal Borrower". Thus, it is clear and categorical that it is only on Mr.Ravishankar Reddy defaulting on the payment that the Petitioner woke up and wanted to retire from the suretyship.

11.9. Though the Petitioner contends that he stood as a surety for a temporary period, the fact remains that it is only after 11 months, on the default by Mr.Ravishankar Reddy that the Petitioner wanted to retire and that to unilaterally without substitution of the surety.

11.10. The Petitioner being the President of the Society has acted in his own self-interest and got the Board to pass a resolution which it could not have so passed, the same being contrary to law. The Petitioner, immediately on coming to know that there is a default on Mr.Ravishankar Reddy, sought to distance



himself from Mr.Ravishankar Reddy and the loan and even went to the extent of resigning as a surety, which is not contemplated under law.

11.11. These aspects which have been raised in the reply even by the Petitioner, are highly immaterial for the purpose of consideration of the complaint against the Petitioner as regards the default on the loan. As indicated *supra*, Section 128 of the Indian Contract Act clearly and categorically states that a surety liability is co-extensive with that of the Principal Borrower. On a default made by the principal borrower, it was required for the surety to make payment of the due amounts.

11.12. The Petitioner being the President of the Society having prevailed upon the Board to accept a resolution to discharge him of suretyship. In the dispute which had been filed



by the Society, the Petitioner was not even made a party, even though he was required to be made and the amount recovered from the surety. All these actions on the part of the Petitioner apart from indicating that there is a default in the repayment of the loan concerned, would indicate the disregard that the Petitioner has for the functioning of the Society and the losses which may be caused.

11.13. Such a conduct would require the Petitioner to be disqualified, which is being rightly done by Respondent No.2 and confirmed by Respondent No.1.

11.14. In that view of the matter, I answer Point No. 1 by holding that a surety or a guarantor cannot be discharged unilaterally at the request of such surety or guarantor. The discharge can only happen on repayment of the loan amount



*and/or substitution of the
surety/guarantor to the satisfaction of the
lender.*

12. Answer to point No.2: *Whether in the present matter the orders passed by Respondent No.2 and then on appeal by Respondent No.1 require any interference?*

12.1. In view of my answer to point No.1, there being no infirmity in the orders passed by Respondent No.2 disqualifying the Petitioner which has been confirmed by Respondent No.1.

12.2. *Hence, I answer point No.2 by holding that there is no reason to interfere with both the orders.*

13. Answer to point No.3: **What order?**

No grounds being made out, the petition stands ***dismissed.***

**SD/-
(SURAJ GOVINDARAJ)
JUDGE**

SR, List No.: 2 SI No.: 1