RESERVED ON : 23.07.2026
PRONOUNCED ON : 11.08.2026

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IN THE HIGH COURT OF KARNATAKA AT BENGALURU

DATED THIS THE 11TH DAY OF AUGUST, 2026

PRESENT

THE HON'BLE MR. JUSTICE D K SINGH

AND

THE HON'BLE MR. JUSTICE T.M.NADAF

WRIT PETITION NO.18741 OF 2026 (GM-CON)

BETWEEN:

STATE BANK OF INDIA,
HAVING ITS BRANCH OFFICE AT
C.V. RAMAN NAGAR BRANCH,
DRDO TOWN SHIP, PHASE-1,
BENGALURU - 560 093.
REPRESENTED BY ITS
CHIEF MANAGER
MR. KSHITIJ MEWAR.

...PETITIONER

(BY SRI. FRANCIS XAVIER, ADVOCATE)

Digitally signed by REKHA R
Location: High Court of Karnataka

AND:

MR. PRADOSH KUMAR BANERJEE,
AGED ABOUT 71 YEARS,
NO. 312B, MAYFLOWER
GARDENS APARTMENT,
91/6, NAGAVARAPALYA MAIN ROAD,
C.V. RAMAN NAGAR,
BANGALORE - 560 093.

...RESPONDENT

(BY MR. PRADOSH KUMAR BANERJEE, PARTY-IN-PERSON)

THIS WRIT PETITION IS FILED UNDER ARTICLES 226 AND 227 OF THE CONSTITUTION OF INDIA, PRAYING TO ISSUE A WRIT OF CERTIORARI OR ANY OTHER APPROPRIATE WRIT TO QUASH THE JUDGMENT AND ORDER DATED:15.04.2026 PASSED BY THE NATIONAL CONSUMER DISPUTES REDRESSAL COMMISSION NEW DELHI IN SECOND APPEAL No.540/2025 (ANNEXURE-A) AND CONSEQUENTLY, SET ASIDE THE JUDGEMENT AND ORDER DATED:26.05.2025 PASSED BY THE HON'BLE KARNATAKA STATE CONSUMER DISPUTES REDRESSAL COMMISSION, AT BANGALORE IN APPEAL No.1742/2023c) TO GRANT SUCH OTHER RELIEF AS THE HON'BLE COURT MAY DEEM FIT TO GRANT IN THE CIRCUMSTANCES OF THE CASE AND ETC.,

THIS PETITION HAVING BEEN HEARD AND RESERVED FOR JUDGMENT, COMING ON FOR PRONOUNCEMENT THIS DAY, ***HON'BLE MR. JUSTICE T.M. NADAF*** PRONOUNCED THE FOLLOWING:

CORAM: HON'BLE MR. JUSTICE D K SINGH
and
HON'BLE MR. JUSTICE T.M.NADAF

CAV JUDGMENT

(PER: HON'BLE MR. JUSTICE T.M. NADAF)

The State Bank of India is before us in this writ petition, assailing the order dated 15.04.2026 passed by the National Consumer Disputes Redressal Commission,[1] New Delhi in second appeal No.NC/SA/540/2025 (Annexure-A), so also the order dated 26.05.2025 passed by the Karnataka State Consumer Disputes Redressal Commission,[2] Bengaluru in Appeal No.1742/ 2023.

2. The KSCDRC by the impugned order, allowed the appeal filed by the complainant and held that the complaint is entitled for reversal of the amount of Rs.1,99,000/- from the petitioner-Bank and also directed the Bank to pay a compensation of Rs.25,000/-, including the litigation expenses. The NCDRC by the impugned order upheld the order passed by the KSCDRC and dismissed the appeal filed by the petitioner-Bank.

3. The parties are referred to as customer and Bank for easy reference.

[1] 'NCDRC' for short
[2] 'KSCDRC' for short

4. The facts germane to file this petition are as under:

4.1 The customer is an account holder in the Bank vide SBI Account No.10406856376 with IFSC:SBIN0003994. On 19.07.2022, the customer noticed that under an unauthorised transaction, a sum of Rs.1,99,000/- debited from his account fraudulently, so also a sum of Rs.25,000/-. Within 3 hours he has immediately mailed to the Bank with respect to fraudulent transaction and sought for credit of the amounts debited from his account. Surprisingly on his complaint his account received a credit of Rs.25,000/-, but not Rs.1,99,000/-. He had made several corresponds to the Bank and also made request several times for re-crediting of the amount. However, the Bank failed to concede to the request.

4.2 Aggrieved by the inaction and deficiency of service, the complaint was before the District Consumer Disputes Redressal Commission[3]. Upon issuance of notice, the Bank appeared through its counsel and submitted that

[3] 'DCDRC' for short

the customer is responsible for sharing the OTP and Bank details on the link, which has issued on the date of debit and in view of the guidance issued by the Reserve Bank of India, the Bank is not responsible for the negligence on the part of the customer, as such, there is no deficiency of service. That apart, the customer informed the Bank of late the transaction. In that circumstance, there is no 'zero liability' applicable in terms of the circular under which the Bank is liable to pay the amount and sought to dismiss the complaint.

4.3 The District commission after trial, dismissed the complaint holding that there is no deficiency of service on the part of the respondent-Bank and the circular issued by the respondent in the Reserve Bank of India is not made applicable to the case in hand, to bring the Bank under the clause of zero liability to make it liable to pay the amount. Aggrieved by the order passed by the DCDRC, the customer was before the KSCDRC in Appeal No.1742/2023. The Bank on notice appeared and

reiterated the very same contention taken before the DCDRC.

4.4 The KSCDRC, upon perusal of record found that on 19.07.2022, in two transactions, a sum of Rs.1,99,000/- and another sum of Rs.25,000/- were debited from the account of the customer unauthorisedly. The same was immediately intimidated to the Bank within 3 hours, within no time a sum of Rs.25,000/- was re-credited to the account, however not Rs.1,99,000/-. The KSCDRC, noticing the fact that the intimation was given within 3 hours of knowledge of fraudulent transaction by the customer, the Bank ought to have reversed the amount debited under fraudulent transaction. However, there was no action taken in that regard by the Bank. As such, there is deficiency of service and under the 'zero liability clause', and circular issued by Reserve Bank of India, is applicable to the case, allowed the appeal and directed the Bank to credit Rs.1,99,000/- to the account of the customer with Rs.25,000/- as compensation including litigation expenses. The Bank aggrieved by the order

passed by KSCDRC, was before the NCDRC in Second appeal No.NC/SA/540/2025.

4.5 Before the NCDRC, the Bank argued that the customer has suppressed the fraudulent transaction. The money in the account could not have been withdrawn or debited without sharing of OTP by the customer. The customer informed the fraudulent transaction vide letter dated 26.07.2022, that is after delay of 8 days of the fraudulent transaction, unauthorisedly debiting in the account. In that view of the matter, there is no negligence attributable to the Bank and the negligence on the part of the customer cannot be regarded as deficiency in service on the Bank. Further, it was urged that the complaint after voluntarily downloading the application which was sent over his phone, which thereafter turned to be fraudulent and thereafter shared the OTP, which the Bank time and again cautioned its customers/consumers over phone on messages as well as advertisements. In that eventuality, the Bank cannot be burdened with liability to re-credit the amount, which was debited solely on the negligence

attributable to the customer and fraud committed by a third party.

4.6 It was further contended that, the District Commission, considering the case of the Bank rightly dismissed the complaint. The State Commission failed to consider this aspect of the matter and sought to allow the appeal.

4.7 The customer contrasted the argument of the Bank, and submitted that, there were two transactions debiting Rs.1,99,000/- and Rs.25,000/- have taken place on the said date. Immediately, over mail, the intimation was sent to the Bank. However, the Bank had not responded. Surprisingly a sum of Rs.25,000/- has been re-credited, but not the bigger amount that is Rs.1,99,000/-.

4.8 It was further contented that, had there been no intimation immediately, there could not have been re-credit of Rs.25,000/- at least. The re-credit of Rs.25,000/- presupposes that the Bank was well aware of the fraudulent transaction and unauthorised debit. It was

further contented that, no OTP was shared for unauthorised debiting of the amount. In that view of the matter, the State Commission, considering this aspect of the matter, rightly set aside the order passed by the District Commission and allowed the appeal directing the Bank to re-credit a sum of Rs.1,99,000/- along with Rs.25,000/- as compensation including litigation expenses and sought to dismiss the appeal.

4.9 The National Commission having considered the arguments, after perusal of the materials placed on record was of the opinion that as per the complainant only an amount of Rs.20/- was credited after receiving the fraudulent call regarding pendency of electricity bill. However, the further amount of Rs.25,000/- and Rs.1,99,000/- were credited without sharing any OTP. The National Commission noticed that immediately after the unauthorised debit, the matter was reported by the complainant to Cyber Crime Police which raised CIRO No.12895, as well as information was shared on SBI Helpline. Immediately thereafter, a sum of Rs.25,000/-

was credited back to the account of the complainant and his account was freezed. In that view of the matter, the opposite party cannot claim that the intimation regarding fraudulent transaction was received only on 26.07.2022. The National Commission relying on the judgment of Division Bench of ***Guwahati High Court in State Bank of India Vs. Valhava, Boumik and four others*** in WA.No.364/2022 decided on 13.09.2024, wherein the Division Bench held that in case of unauthorised electronic banking transaction occurring due to third party breach, in that circumstances the efficiency neither lies with the customer nor the Bank. In that an eventuality the customer liability will be zero, and if the fraudulent transaction is reported within 3 working days, from the date on which the customer receives the communication, the Bank is obliged under circular of Reserve Bank of India to make good the loss occurred. The commission further referred its decision in a revision wherein in the case of ***SBI Vs. Kodudhala Joji Reddy and Anr.,*** decided on 17.11.2025 in RP No.1381/2018, relying on the judgment

of **Pallabh Bhowmick** Supra, wherein under the unauthorised transaction a sum of Rs.94,204.80/- was unauthorisedly transferred was directed to be credited under zero liability cost.

4.10 The National Commission on the basis of the judgment supra, was of the opinion that the complainant in the case on hand had only initiated a payment of Rs.20/- from his account which has resulted in fraudulent transaction of Rs.25,000/- and Rs.1,99,000/- without sharing any further OTP and further found that the account stood debited since the online software was under the control of a third party. The National Commission categorically held that admittedly no OTP of the said transactions were shared by the complainant. In that eventuality the complicity of the complainant cannot be presumed merely on account of downloading the application. Accordingly, held that in case of third party fraud, the complainant cannot be held liable for allegedly sharing OTP for transaction of Rs.25,000/- and

Rs.1,99,000/-, when the transactions were not initiated by him.

4.11 In that view of the matter, the National Commission held that Bank apparently cannot be absolved of the liability towards the losses suffered by the customer on account of unauthorised electronic transaction, in view of Reserve Bank of India, circular dated 06.09.2017, since the information of the fraudulent transaction was shared with the Bank within stipulated period. Accordingly, dismissed the appeal and directed the Bank to comply the directions of the State Commission and to pay the amount within a period of 4 weeks, failing which, the amount shall carry interest @ 8% p.a, from the date of default till realization, assailing both the orders of National Commission as well as State Commission, the Bank is before us.

5. Heard, Sri C. Francis Xavier, learned counsel for the petitioner-Bank and Sri. Pradush Kumar-respondent who appeared in person.

6. Sri. C.Francis Xavier, reiterated the contentions taken before the District Commission, State Commission as well as National Commission, pointing out that this transaction could not have been taken place in the absence of sharing OTP by the customer. The customer of the Banks, time and again were cautioned by sending messages as well as advertisements to be aware of fraudulent links and transactions and in bold words that the Bank never ask for OTP in respect of any transaction.

7. In the case on hand, the customer downloaded the link sent by a third-party fraudster, and fell victim for the same and negligently shared the OTP. Now cannot be permitted to attribute that there is negligence on the part of the Bank in reversing the transaction and crediting the amount. Further, he has contented that there is delay of 8 days in informing the Bank. In that view of the matter, the Bank cannot be made liable under the 'zero liability clause' in terms of the circular issued by the Reserve Bank of India. He further referred to Annexure-L to contend that it is the customer who shared the OTP, which is clearly

visible in the said transaction at Annexure-L. In that eventuality, the circular will not come to the aid and benefit of the customer.

8. He further submits that both State Commission as well as National Commission failed to consider this aspect of the matter, which has been rightly considered by the District Commission holding that the complainant has visited a fake website created by fraudsters and has shared the OTP resulting in unauthorised transaction thereby debiting had taken place in the account of the customer. In that eventuality, there is no deficiency of circuit on the part of the Bank and the complainant is only responsible for the said transactions. The Reserve Bank of India Circular dated 06.09.2017, relied on by the customer cannot come to the aid of complainant to apply the zero liability clause, as the transaction alleged by the complainant was not due to any negligent act of the opposite party.

9. To buttress his arguments, he relied on the judgment of Supreme Court in the case of ***Sant Rohidas***

Leather Industries and Charamakar Development Corporation Ltd. Vs. Vijaya Bank reported in **2026 SCC Online SC 45**, to contend that in the absence of any fraudulant activity, the Bank cannot be made liable under 'zero liability clause', as there is negligence on the part of the complainant and sought to allow the petition and set aside the order passed by National Commission as well as State Commission, upholding the judgment of the District Commission.

10. In contrast, Sri.Pradosh Kumar Banerjee-respondent who appeared in person, with all anguish towards Bank submits that he has deposited his hardened money with the Bank, with full confidence that his money is protected at the safe hands of the Bank. Some fraudster who broke into the software of the Bank and caused loss by unauthorisedly debiting huge sum of money without there being any fault on the part of the customer. The Bank is liable to make good the amount by re-crediting it to the account under 'zero liability clause' as per the circular issued by the Reserve Bank of India.

11. He further firmly submitted that he never shared any OTP, further with same firmness, he submitted that immediately after noticing the unauthorised debiting of amount, he informed the Bank on mail that has not been considered. On the following morning, he called the Manager of the Bank and informed him. However, there was no action taken. The persistent request by the customer to the Bank, fallen on deaf ear and Bank showed its apathy towards the request of the customer.

12. In that view of the matter, both the State as well as National Commission have held that the intimation was given within 3 hours, immediately after noticing the unauthorised debiting of the amount. Now the Bank cannot be permitted to contend that the Bank was not informed and it was only after 8 days, the customer complained to the Bank. He further submits that, the re-crediting of amount of Rs.25,000/-, pre-supposes that the Bank had all information regarding unauthorised depositing of the amount. In that view of the matter, now the Bank cannot take a stand for some fault committed by

its employees, throw all negligence on him on the premise that the petitioner has downloaded an unauthorised application and allegedly shared the OTP, with this he sought to dismiss the petition and affirm the order passed by the State Commission as well as National Commission.

13. Having considered the rival submissions, we have perused the entire writ petition papers.

14. What transpires from the records and the judgment of the National as well as the State Commission, is that the customer was sent some fraudulent/spam application over his phone which he has downloaded and immediately thereafter, his account was debited. It is the categorical stand of the customer that he never shared OTP. However, the Bank disputes the same that the OTP has been shared otherwise there is no chance of debiting the amount from the account. It can be deciphered from the facts stated above that the internet banking facility and the software deployed fro access of the customers are not foolproof and the Banking system on online

transactions are vulnerable to the fraudsters to gain control over the same.

15. Sri.Banerjee, further submits that his phone was hacked and immediately thereafter the amounts were debited and considering the same he immediately informed the Bank through email and switched off his phone.

16. This was contrasted by Sri.Francis Xavier, stating that this stand was not at all taken before any of the commissions. Be that as it may, both the State as well as the National Commission, categorically have held that the customer intimated the respondent-Bank immediately within 3 hours, the unauthorised debiting of the amount and thereafter, Rs.25,000/- has been re-credited. However, the same was not meted in respect of Rs.1,99,000/-.

17. The National Commission at paragraph No.9 of its judgment categorically has held that the customer had only initiated a payment of Rs.20/- from his account. But

the same resulted in unauthorised debit of Rs.25000/- and Rs.1,99,000/- without sharing any further OTPs. The account stood debited, since the online software was under control of third party and admittedly no OTP for the said two transactions were shared by the customer.

18. In that view, the complicity of the customer cannot be presumed merely on account of downloading the application. In case of third party fraud, customer cannot be held liable for allegedly sharing OTP for transaction of Rs.25,000/- and Rs.1,99,000/-, when the transactions were not initiated by him.

19. In that view of the matter, the Bank cannot be absolved of liability towards the losses suffered by the customer on account of unauthorised electronic transactions, in view of Reserve Bank of India circular dated 06.07.2017. Since the information of unauthorised transactions were shared with the Bank within stipulated period of time.

20. We having perused the orders passed by the District Commission, State Commission as well as National Commission, are of the opinion that both the State Commission as well as National Commission, properly come to the conclusion that the Bank is liable to make good the amount unauthorisedly debited, since there was an intimation to Bank within time provided as per the circular, and the hardened money of a septuagenarian is involved.

21. Before parting, we request the Banks who are dealing with public money, to strive hard to make their online banking system robust, foolproof and impossible to be misused without leaving any room for outsiders/fraudsters gaining control and have easy access. The money involved in banking sector is the public money and the Banks are accountable to the public and any failure would not only affect the particular customer of the Bank, but also the entire economy of the Country and trust of the people with the Bank.

Therefore, we are of the opinion that the order passed by State as well as National Commission do not call for any interference. In that view of the matter, we ***dismiss*** the writ petition.

Sd/-
(D K SINGH)
JUDGE

Sd/-
(T.M.NADAF)
JUDGE

PK