IN THE NATIONAL COMPANY LAW TRIBUNAL

KOCHI BENCH

IA(IBC)/356/KOB/2025

In

CP(IBC)/48/KOB/2023

(Under Section 60(5) of the Insolvency and Bankruptcy Code, 2016, read with Rule 11of the National Company Law Tribunal Rules, 2016)

Date of Institution: 20.08.2025

Order delivered on: 10.04.2026

In the matter of M/s JM Financials Assets Reconstruction Company Ltd

MEMO OF PARTIES:

The Federal Bank Limited Chennai/Mount Road Branch, No. 27, Ground Floor, Akshaya Shanti, Anna Salai, Chennai – 600002

…. Applicant

-Vs-

C. Prabhakaran

IBBI/IPA-001/IP-P01596/2018-2019/12444

Lot No.9, Kavi Gardens

Opp Chavera School

BU Post, Somaiyampalayam

Coimbatore Tamil Nadu 641046

...Respondent

Coram:

HON'BLE MEMBER (JUDICIAL) : SHRI. VINAY GOEL

Appearances:

For the Applicant : Mr. Mohan Jacob George, Adv;

For the Respondent : Mr. Vinod. P.V, Adv.

ORDER

1. The present application has been filed by the Federal Bank Limited, under Section 60(5) of the Insolvency and Bankruptcy Code, 2016, read with Rule 11 of the National Company Law Tribunal Rules, 2016, with the following prayers: -

> *a. Condone the delay of 470 days in submission of the Applicant's claim in the bankruptcy proceedings initiated against Reena Paul, in C.P. (IBC)/48/KOB/2023;*
> *b. Direct the Bankruptcy Trustee, C. A. Jasin Jose, to admit and process the Applicant's claim in accordance with the provisions of the Insolvency and Bankruptcy Code, 2016;*
> *c. Pass such other and further orders or directions as this Hon'ble Tribunal may deem just, fit and proper in the facts and circumstances of the case and in the interest of justice.*

Brief facts of the case

2. The Applicant is a banking company within the meaning of the Companies Act, 2013, having its registered office at Alwaye and branches across various locations, including Anna Salai, Chennai. The Applicant is represented by its Deputy Vice President-I, Loan Collection and Recovery Department, Chennai Division, located at No. 27, Akshaya Shanti, Mount Road, Chennai-600002.

3. It is stated that the bankruptcy proceedings were initiated against the personal guarantor, Mrs Reena Paul, on 18.04.2024 pursuant to the order of this

Adjudicating Authority in C.P. (IBC)/48/KOB/2023, whereby Mr. C. A. Jasin Jose was appointed as the Bankruptcy Trustee.

4. Thereafter, this Adjudicating Authority vide order dated 14.11.2025 in IA(IBC)/422/KOB/2025, replaced the Bankruptcy Trustee and appointed Mr. C. Prabhakaran as the Bankruptcy Trustee.

5. The Applicant stated that the bankrupt, Mrs. Reena Paul, along with Mr. Paul K.G. as co-borrower, had availed various credit facilities from the Applicant's Chennai / Mount Road Branch in her capacity as the proprietrix of the proprietorship concern "M/s. Rich N Rich." In this regard, they had availed an Overdraft Account (OD-FTLS Clean) bearing Account No. 11005600003103 with a sanctioned limit of Rs. 35,00,000/-, originally availed on 30.10.2009 and finally renewed on 14.02.2024. They had also availed a loan under the Emergency Credit Line Guarantee Scheme (EI-GECL) bearing Account No. 11006900002746 for an amount of Rs. 7,06,000/- on 26.08.2020 and another EI TL-GECL loan bearing Account No. 11006900003389 for Rs. 3,50,000/- on 17.08.2021.

6. The Applicant further stated that Mrs. Reena Paul, along with Mr. Paul K.G. as co-borrower, had also availed a Home Plus Top-Up Equity Loan in her personal capacity bearing Account No. 11007600003406 for a sum of Rs. 7,50,000/- on 23.11.2018 from the Applicant's Chennai / Mount Road Branch.

7. It is stated that Mrs. Reena Paul, along with Mr. Paul K.G., had executed the necessary loan and security documents in favour of the Applicant Bank in respect of the above-mentioned credit facilities. Towards security for the said facilities, an equitable mortgage was created in favour of the Applicant Bank by deposit of the original title deeds relating to an undivided 1/4th (25%) share of land measuring 1568 sq. ft. out of the total extent of 2 Grounds and 1472 sq. ft. (6272 sq. ft.), together with a first-floor flat measuring 2312 sq. ft., situated at Plot No.

820, West Madras Neighbourhood Scheme, Arignar Anna Nagar, Door No. D-31, 5th Street, Anna Nagar, Chennai – 600102, comprised in T.S. No. 2 part in Block No. 7 of Periyakudal Village, Chennai District, within the Registration District of Chennai and Sub-Registration District of Anna Nagar, and it is further stated that the said financial facilities were recalled by the Applicant Bank on 26.06.2025 in view of the Bankruptcy Order passed against Mrs. Reena Paul and Mr. Paul K.G.

8. The Applicant stated that to its surprise it received an email dated 13.06.2025 from the Respondent, the Bankruptcy Trustee, informing that he had been appointed as the Bankruptcy Trustee of the bankrupt Mrs. Reena Paul pursuant to the order of this Adjudicating Authority in CP(IBC) 48/KOB/2023 dated 18.04.2024 and requesting details of the financial facilities and assets of Mrs. Reena Paul with the Applicant, while also directing the Applicant Bank to submit its claim in the bankruptcy proceedings. The Applicant stated that it had no knowledge of the bankruptcy proceedings and became aware of the same only upon receipt of the said email. Immediately thereafter, the matter was taken up with the higher authorities and referred to the Legal Department, which, after obtaining legal advice, prepared the claim of the Applicant in Form 'F' as per the prescribed procedure and submitted the same to the Respondent on 01.07.2025.

9. The Applicant further stated that thereafter it received an email communication dated 30.07.2025 from the Respondent stating that the claim submitted by the Applicant was rejected on the ground that it was filed belatedly and advising the Applicant to seek appropriate directions from this Adjudicating Authority for admission of its claim. The Applicant stated that the delay in submitting the claim was neither wilful nor deliberate, as the Applicant had no prior knowledge of the bankruptcy proceedings and had not received any notice or intimation regarding

the same, and it was only after receipt of the email from the Respondent that the Applicant became aware of the proceedings.

10. The Applicant further stated that as on the bankruptcy commencement date, i.e., 18.04.2024, a total sum of Rs. 47,99,399.76 was outstanding in the loan accounts of Mrs. Reena Paul and Mr. Paul K.G.

11. The Applicant stated that as per Section 177 of the Insolvency and Bankruptcy Code, 2016, a creditor who has not participated in the distribution of a dividend before proving the debt is not entitled to disturb such distribution, but upon proving the debt, he is entitled to receive the dividend which he failed to obtain out of any money available for payment of further dividends, and such dividend shall be paid prior to the application of the money towards any further dividend. The Applicant further stated that no action shall lie against the Bankruptcy Trustee for a dividend, however, if the Trustee refuses to pay a dividend payable under the said provision, the Adjudicating Authority may direct the Trustee to pay the dividend along with interest and the costs of the proceedings. The Applicant stated that to the best of its knowledge, the Bankruptcy Trustee has not initiated the sale of assets or distribution of dividends and therefore admission of the Applicant's claim will not cause prejudice to any stakeholder, and hence the Applicant humbly seeks condonation of the delay of 470 days and appropriate directions to the Respondent.

12. The Respondent filed the reply on 20.09.2025 and stated that pursuant to the bankruptcy order passed by this Adjudicating Authority against Mrs. Reena Paul, the Bankruptcy Trustee was directed to issue a public notice and accordingly, paper publication was made on 24.04.2024 in the vernacular daily Dinakaran and the English daily Times of India at the place of residence of the Bankrupt. It is further stated that, as per Section 131 of the Insolvency and Bankruptcy Code,

2016, all creditors are required to submit their claims within 7 days from the date of public notice; however, the Applicant submitted its claim only on 01.07.2025 and therefore the same was rejected on the ground of delay.

13. It is stated that the background leading to the filing of the claim is that the Bankruptcy Trustee had filed an application for non-cooperation against the Bankrupt in IA(IBC)/273/KOB/2024, and this Adjudicating Authority vide order dated 23.10.2024, directed the Bankrupt to submit the statement of financial position and all relevant details and records. However, the said order was not complied with, and further time was granted on the undertaking of the Respondent through orders dated 06.12.2024, 13.02.2025, 27.02.2025, 21.03.2025, 25.03.2025, 03.04.2025 and 08.04.2025, wherein a specific direction was also issued to disclose the residential property. Thereafter, for failure to disclose the said details, this Adjudicating Authority directed the physical appearance of the Bankrupt, and on 16.04.2025 the husband of the Bankrupt appeared and for the first time disclosed the existence of a residential property standing in the name of the Bankrupt and undertook to hand over the title documents; however, the same was not complied with despite a final opportunity granted on 22.04.2025, which led to the filing of a contempt petition on 02.05.2025 for disobedience of the orders of this Adjudicating Authority.

14. It is stated that thereafter, the Bankrupt sent an email dated 05.05.2025 to the Bankruptcy Trustee stating that the title document of the residential property was mortgaged with Federal Bank Ltd., Chennai, who is the Applicant. On contacting the Applicant, the Respondent came to know that the property was mortgaged for the loans availed by the Bankrupt. It is stated that this information had been suppressed by the Bankrupt until then, and the loan details were not disclosed in Form E, thereby preventing the Applicant from filing its claim earlier. The

Respondent, therefore, immediately informed the Applicant to submit its claim in accordance with the law. It is further stated that the Applicant has now filed its claim for Rs. 47,99,399/- (outstanding as on the date of the Bankruptcy Order), however, the Respondent could not accept the claim due to the delay in submission, and hence the present application has been filed.

15. The Respondent further stated that it has no objection to the condonation of delay in filing the claim, as a prima facie debt is established and the residential property is mortgaged with the Applicant, and upon such condonation, the Bankruptcy Trustee shall process the claim after due verification of the supporting documents.

Analysis and Findings

16. It is the case of the Applicant that the Applicant, being a secured creditor, had extended various credit facilities to the Bankrupt and her co-borrower, which were secured by way of an equitable mortgage over a residential property. The Applicant submitted that it had no prior knowledge of the initiation of the bankruptcy proceedings and became aware of the same only upon receipt of communication from the Bankruptcy Trustee at a later stage. Upon such intimation, the Applicant promptly submitted its claim, however, the same was rejected on the ground of delay. It is contended that the delay was neither wilful nor deliberate but occurred due to the absence of knowledge of the proceedings, and that since no distribution of dividends has taken place, the admission of its claim would not prejudice any stakeholders. Accordingly, the Applicant seeks condonation of delay and a direction to the Bankruptcy Trustee to admit and process its claim in accordance with the law.

17. At the outset, it is an admitted position that the bankruptcy process against Mrs. Reena Paul was initiated pursuant to the order dated 18.04.2024 passed by this

Adjudicating Authority in CP (IBC)/48/KOB/2023, and that the Bankruptcy Trustee caused a public announcement on 24.04.2024 in the newspapers Mathrubhumi, Dinakaran and The Times of India, inviting claims from creditors. In terms of Section 131 of the Insolvency and Bankruptcy Code, 2016, creditors are required to submit their claims within the prescribed period from the date of such public notice. Accordingly, the said public announcement constitutes a valid and binding notice to all stakeholders, including the Applicant, and, under ordinary circumstances, creditors would be expected to act in compliance therewith by submitting their claims within the stipulated time.

18. However, the present case does not fall within the realm of ordinary circumstances. The material on record clearly establishes that the Bankrupt failed to extend requisite cooperation to the Bankruptcy Trustee and persistently neglected to furnish a complete and truthful disclosure of her assets and liabilities. Despite multiple opportunities and repeated directions issued by this Adjudicating Authority in the proceedings relating to non-cooperation, the Bankrupt did not comply with the statutory obligations cast upon her.

19. It is significant to note that relevant and material particulars were deliberately withheld by the Bankrupt, including the existence of the residential property situated at Anna Nagar, Chennai, and also the fact that the said property was mortgaged in favour of the Applicant Bank. The record further reveals that only upon the physical appearance of the husband of the Bankrupt, Mr. K. G. Paul, before this Adjudicating Authority on 16.04.2025, the existence of the said property was disclosed for the first time. Even at that stage, an undertaking was given to produce the title documents. However, the same was not complied with, necessitating further directions and even the initiation of contempt proceedings. Subsequently, it was only through an email dated 05.05.2025 addressed by the

Bankrupt to the Bankruptcy Trustee that it came to light that the said property had been mortgaged with the Applicant Bank.

20. In view of the above suppression and lack of cooperation, the Bankruptcy Trustee was not in a position to identify the Applicant as a creditor at the initial stage and, therefore, no individual intimation could be issued to the Applicant. It was only after the belated disclosure regarding the mortgaged property that the Trustee came to know of the Applicant's involvement and accordingly contacted the Applicant through email dated 13.06.2025, calling upon it to submit its claim. On receipt of such communication, the Applicant acted without delay and submitted its claim on 01.07.2025. In these circumstances, the delay in filing the claim cannot be attributed to any wilful or negligent conduct on the part of the Applicant, but is a consequence of the non-disclosure and conduct of the Bankrupt.

21. At this juncture, this Adjudicating Authority would like to quote Rule 12(3) of the Insolvency and Bankruptcy (Application to Adjudicating Authority for Bankruptcy Process for Personal Guarantors to Corporate Debtors) Rules, 2019 and Section 176(2) of the Insolvency and Bankruptcy Code,2016.

> *12. Claim with proof*
>
> *(3) A creditor who fails to submit claim with proof as per sub-rule (1) within the time stipulated in the public notice, may submit such proof to the bankruptcy trustee till the final date referred to in sub-section (2) of section 176.*

> *176. Final dividend.*
>
> *(2) The notice under sub-section (1) shall contain such particulars as may be prescribed and shall require all claims against the estate of the bankrupt to be established by a final date specified in the notice.*

22. Rule 12(3) of the Insolvency and Bankruptcy (Application to Adjudicating Authority for Bankruptcy Process for Personal Guarantors to Corporate Debtors)

Rules, 2019 provides that a creditor who fails to submit the claim within the time stipulated in the public notice may submit such proof to the Bankruptcy Trustee till the final date referred to in Section 176(2) of the Code. Section 176, in turn, contemplates a stage where the Bankruptcy Trustee, after realisation of the estate, issues notice fixing a final date for proving claims prior to declaration of dividend. In the present case, it is an admitted position that the Bankruptcy Trustee has neither realised the estate of the Bankrupt nor initiated the process of declaration or distribution of dividend. Therefore, the stage contemplated under Section 176 has not yet been reached. In such circumstances, the opportunity for submission of claims, as provided under Rule 12(3), still remains available.

23. Further, this Adjudicating Authority would also like to refer to Section 177(1) of the Insolvency and Bankruptcy Code,2016.

> *177. Claims of creditors.*
> *(1) A creditor who has not proved his debt before the declaration of any dividend is not entitled to disturb, by reason that he has not participated in it, the distribution of that dividend or any other dividend declared before his debt was proved, but-*
> *(a) when he has proved the debt, he shall be entitled to be paid any dividend or dividends which he has failed to receive, out of any money for the time being available for the payment of any further dividend; and*
> *(b) any dividend or dividends payable to him shall be paid before that money is applied to the payment of any such further dividend.*

24. Section 177 of the Insolvency and Bankruptcy Code,2016, provides that a creditor who has not proved its debt before declaration of any dividend cannot disturb past distributions but is entitled to participate in future distributions upon proving its debt. This provision clearly indicates that the legislative intent is not to shut out legitimate claims on technical grounds of delay, particularly when no distribution has taken place.

In ***T.R. Rajakumari v. Motion Picture Producers Combine Ltd. AIR 1942 Mad. 349***, it was held that a creditor may come in and prove his debt at any time before the final distribution of the assets, but he cannot disturb any dividend which has already been paid.

26. In the present case, since no dividend has been declared or distributed, admission of the Applicant's claim will not cause any prejudice to other stakeholders nor disturb any concluded process. On the contrary, denial of an opportunity to a secured creditor to participate in the proceedings would result in manifest injustice.

27. It is also relevant to note that the Bankruptcy Trustee himself, in his reply, has acknowledged the non-cooperation and suppression by the Bankrupt and, has fairly submitted that he has no objection to the condonation of delay and processing of the Applicant's claim, especially when a prima facie debt is established, and the security interest over the property is not in dispute.

28. In view of the above facts and circumstances, this Adjudicating Authority is of the considered view that although the Applicant is bound by the public announcement, the delay in filing the claim stands sufficiently explained due to the non-disclosure and suppression of material facts by the Bankrupt. Further, considering that the proceedings are still at an initial stage and no distribution of dividends has taken place, this is a fit case for exercising discretion in favour of the Applicant.

29. Accordingly, the delay of 470 days in submission of the claim is condoned. The Bankruptcy Trustee is directed to admit and process the claim of the Applicant in accordance with the law.

30. Accordingly, this Application bearing **IA(IBC)/356/KOB/2025** is **allowed** and disposed of.

Registry is directed to send e-mail copies of this order forthwith to all the parties and their Learned Counsels for information and for taking necessary steps.

32. Let the certified copy of the order be issued upon compliance with requisite formalities.

33. File be consigned to records.

Sd/-

VINAY GOEL
(MEMBER JUDICIAL)

Signed on this the 10th day of April, 2026.

At*