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The Auction Purchaser’s Right to Be Heard: A Chennai Tribunal Ruling on Natural Justice Under the SARFAESI Act

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A case before the Debt Recovery Tribunal in Chennai on 06.08.2026 tested whether a successful auction purchaser can be shut out of proceedings that determine its title to property it has already paid for. IA No. 2279 of 2025 in SA No. 493 of 2025, titled **SRM Institute of Science and Technology versus Peri Educational and Charitable Trust and Others**, turned out to be less about the merits of the underlying recovery action and more about who gets a seat at the table when the music stops.

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Background: The Bank's Enforcement Action

The factual matrix was set in motion during the middle of 2025. Respondent No. 2, the secured creditor bank, had decided to enforce its security interest against Peri Educational and Charitable Trust under the **Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002** (SARFAESI Act).

On 30.06.2025, the bank issued an e-auction sale notice for the borrower's mortgaged property. Prior to this, on 07.07.2025, the bank had already secured an order from the Chief Judicial Magistrate, Chengalpattu in Crl.MP No. 1898 of 2025 under Section 14 of the SARFAESI Act, authorising it to take physical possession of the secured asset through an Advocate Commissioner.

The stage was thus set for a forced sale with judicial backing already in place.

SRM Institute Wins the E-Auction

SRM Institute of Science and Technology entered the picture upon noticing the e-auction sale notice. The sequence of events moved quickly:

1. On 15.07.2025, SRM submitted an online bid application accompanied by an **earnest money deposit of Rs. 4.55 crores**.
2. The e-auction took place on 16.07.2025. SRM emerged as the highest bidder with a final offer of Rs. 45.60 crores, marginally exceeding the reserve price of Rs. 45.50 crores.
3. On the same day, the bank declared SRM the H1 bidder and called for payment of 25% of the bid price after adjusting the earnest money already deposited. SRM complied immediately, transferring Rs. 6.85 crores.
4. The balance 75%, amounting to Rs. 34.20 crores, was paid on 23.07.2025.
5. On 23.07.2025 itself, the bank issued a **sale certificate** in favour of SRM Institute, confirming the auction and the transfer of the property.

The Borrower Fights Back in the Tribunal

Any reasonable purchaser would have expected the matter to proceed smoothly toward physical possession. The bank had indicated that it would execute the Section 14 order and deliver possession through the Advocate Commissioner appointed by the Chief Judicial Magistrate.

Events took an unexpected turn. On 09.09.2025, the bank informed SRM that Respondent No. 1 had filed **SA No. 493 of 2025** before the Debt Recovery Tribunal, Chennai, challenging the order dated 07.07.2025 passed under Section 14 of the SARFAESI

Act. The Tribunal had already granted a conditional stay in favour of the borrower.

Additionally, the borrower had filed SA No. 515 of 2025 seeking to set aside the sale notice dated 30.06.2025 and to declare the e-auction conducted on 16.07.2025 null and void.

SRM's Application for Impleadment

The most troubling aspect from SRM's perspective was that despite being the successful auction purchaser, despite having paid the entire sale consideration, and despite holding a duly issued sale certificate, it had not been **impleaded as a party** in either proceeding.

The borrower had deliberately kept the auction purchaser out of the litigation even though the outcome would directly affect SRM's title and its ability to take possession. Faced with the prospect of a judgment being rendered behind its back, SRM Institute filed IA No. 2279 of 2025 seeking to implead itself as Respondent No. 3 in SA No. 493 of 2025.

Its contention was straightforward: the execution of the Section 14 order was the gateway to its physical possession, and if that gateway was sealed in proceedings to which it was not a party, its rights would be extinguished without it ever being heard.

The Borrower's Objections

Peri Educational and Charitable Trust resisted the application. In its counter, the borrower argued that the application was not maintainable either in law or on facts. The real dispute, it contended, was between the borrower and the bank concerning the legality of the possession order under Section 14, and the **auction purchaser had nothing to do with that adjudication**. The borrower was neither a necessary nor a proper party, it insisted, and need not be heard.

Allegations of Undervaluation and Collusion

The borrower went further. It denied that SRM was the successful auction purchaser in any legitimate sense and raised several specific objections:

- The property, genuinely worth approximately **Rs. 250 crores**, had been knocked down for a grossly undervalued consideration of Rs. 45.60 crores.
- No proper notice had been issued to the borrowers or other interested persons.
- The sale had been effected in collusion between the bank and the auction purchaser.
- The auction was conducted in violation of the SARFAESI Act and Rules, including requirements relating to notice, auction, valuation, receipt of amounts, sale certificate, and confirmation of sale.

The borrower's counter specifically denied SRM's assertions regarding the bid, the declaration as highest bidder, and the payment of the 25% instalment, putting the petitioner to strict proof.

Attack on the Possession Narrative

The borrower also attacked SRM's narrative on possession. It denied that the bank had assured the auction purchaser that physical possession would be secured through an Advocate Commissioner. The e-auction notice, it pointed out, had sold the property on an **as-is-where-is basis**, and any allegation to the contrary was baseless.

In a particularly pointed submission, the borrower noted that at the time of the alleged auction, the bank was not in physical possession of the property. Once the sale certificate was issued, the bank ceased to be a secured creditor in relation to that asset and could not pursue the unexecuted Section 14 order.

The borrower painted SRM as a speculator who knew the risks, took a chance, and was now attempting to muscle its way into litigation where it did not belong. Impleading the auction purchaser would cause serious loss and hardship to the borrower, whereas dismissal of the application would harm no one.

The Tribunal's Ruling

When the matter came up for hearing, Presiding Officer Smt. S.V. Gowramma had to answer one fundamental question: does an auction purchaser who has paid in full and received a sale certificate have the right to be heard when the borrower challenges the underlying possession order? The Tribunal's answer was an **unequivocal yes**.

Direct Bearing on the Auction Purchaser's Rights

The Presiding Officer began by observing that the reliefs sought in the main proceedings would have a direct bearing on the auction sale and on the rights claimed by SRM Institute. If the Tribunal were to set aside the Section 14 order or stay its execution indefinitely, the auction purchaser's path to possession would be blocked.

If the sale itself were ultimately invalidated, the sale certificate would be rendered worthless. In either scenario, the party with the most to lose after the borrower was the very party that had been excluded from the proceedings.

The Tribunal noted that the Supreme Court of India and various High Courts, in a consistent line of authority, have held that **auction purchasers possess the right to intervene** in proceedings that threaten their interests, particularly after a sale has been finalised and a sale certificate has been issued. The rationale is rooted in the principle that no court order altering vested rights can be passed without giving the affected party an opportunity to be heard. To do otherwise would violate the most basic tenets of natural justice.

Prospective Bidder vs. Confirmed Auction Purchaser

The Tribunal drew a sharp distinction between the status of a **prospective bidder** and that of a **confirmed auction purchaser**. Before the hammer falls, a bidder is merely a participant in a commercial process.

But once the auction is confirmed, the full price is paid, and the sale certificate is issued, the bidder transforms into a person with vested title and ownership rights over the property. That transformation carries with it a corresponding right to protect those rights in any forum where they are put in jeopardy.

The Presiding Officer underscored that an auction purchaser in this position is not merely a proper party but an absolutely necessary party to any legal proceeding that seeks to challenge, modify, or set aside the sale or the possession order that underpins it. Passing an effective order behind the back of such a party would offend the principles of natural justice in the most direct manner possible.

Order and Directions

Having surveyed the facts, the rival contentions, and the settled legal position, the Tribunal **allowed IA No. 2279 of 2025**. SRM Institute of Science and Technology was directed to be impleaded as Respondent No. 3 in SA No. 493 of 2025.

The borrower was further directed to file an amended secured assets application to reflect this change in the array of parties. The Tribunal made no order as to costs.

Wider Significance of the Ruling

The SARFAESI Act is frequently characterised as a powerful weapon in the hands of secured creditors, and rightly so. But its operation does not occur in a vacuum where the rights of third parties can be casually overlooked.

An **auction purchaser** who steps forward in good faith, pays the full price, and accepts a sale certificate is not a mere spectator to the borrower-bank drama. Such a purchaser becomes a stakeholder with a legally protected interest in the property, and any attempt to adjudicate the fate of that property without the purchaser's presence is fundamentally unfair.

The Debt Recovery Tribunal at Chennai has reinforced a principle that is as old as the law itself: justice cannot be done, and seen to be done, if the person who has the most riding on the outcome is deliberately kept outside the courtroom door. The auction purchaser paid for the property in good faith. The least the law owes such a purchaser is a chair inside the courtroom when its title is on the line.

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