



BANKING AND FINANCE

SARFAESI

Right of Redemption Extinguished Upon Publication of Sale Notice: DRAT Chennai Restores Auction Purchaser's Rights in SARFAESI Proceedings

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PUBLISHED 24 June 2026

The interplay between the rights of secured creditors, the statutory protections afforded to borrowers under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, and the legitimate expectations of auction purchasers in enforcement proceedings continues to generate significant judicial discourse. The Debt Recovery Appellate Tribunal, Chennai, in its order dated 8th May 2026 in *Khaja Moideen Leather Company v. Authorised Officer, Indian Bank and Ors.* (MA (SA) 36/2026), has delivered a clarificatory ruling on the extinguishment of the borrower's right of redemption upon the publication of a sale notice under the SARFAESI Act, and the limited scope of interim orders to restrain the issuance of sale certificates after a concluded auction. The Bench, presided over by Mr. Justice G. Chandrasekharan, Chairperson, set aside the effect of an interim order passed by the Debt Recovery Tribunal, Madurai, and directed the expeditious disposal of the underlying proceedings on merits, thereby restoring the statutory trajectory of the enforcement process.

The appellant before the Appellate Tribunal, Khaja Moideen Leather Company, was the successful bidder in a secured asset auction conducted by the first respondent, Indian Bank, under the SARFAESI Act. The Bank had issued a sale notice dated 4th October 2025, and the public auction was duly held on 29th October 2025. Following the auction, the sale was confirmed in favour of the appellant, and the appellant had discharged all its payment obligations to the Bank. The logical and statutory consequence of a confirmed sale is the issuance of a sale certificate by the secured creditor to the auction purchaser, followed by the taking of possession of the secured property. However, this statutory sequence was interrupted by the filing of Securitisation Application No. 899 of 2025 before the Debt Recovery Tribunal, Madurai, by the original borrowers and guarantors, who were arrayed as respondents 2 to 4 in the appellate proceedings.

The applicants before the DRT, in SA 899/2025, sought to set aside the sale notice dated 4th October 2025 and the consequential sale held on 29th October 2025. In the pendency of this application, they filed Interim Application No. 4416 of 2025 seeking a stay of further proceedings. The learned Presiding Officer, DRT, Madurai, passed an interim order on 7th November 2025, without advertent to the merits of the case. The DRT directed the Bank not to issue the sale certificate to the successful bidder till 31st December 2025, subject to the condition that respondents 2 to 4 pay the entire due amount of Rs. 3,60,00,000/- in two equal instalments. The order further provided that if the payment was not made, the respondent-Bank would be at liberty to proceed further, and the stay would stand vacated automatically. The sale had already been held on 29th October 2025, which was prior to the date of the DRT's interim order.

Aggrieved by the restraint on the issuance of the sale certificate, the appellant filed the present appeal before the DRAT, Chennai. The learned counsel for the appellant, Mr. N. Padmanabhan, submitted that the appellant was a successful bidder in the SARFAESI auction, that the sale had been confirmed in its favour, and that all payments had been made. He contended that the interim order passed by the DRT was contrary to the well-settled principle that the borrower or guarantor loses the right of redemption once the sale notice is published. He further submitted that because of the stay granted by the DRT, the appellant was unable to obtain the sale certificate and take possession of the property, despite having fulfilled all its obligations as the auction purchaser. The appellant therefore sought the setting aside of the DRT's interim order.

The first respondent-Bank, represented by M/s. T. Sundar Rajan and M/s. S. Vardhini, submitted that because of the interim order passed by the DRT, Madurai, in the stay application, the Bank was not able to issue the sale certificate to the appellant. The Bank sought appropriate directions from the Appellate Tribunal to enable it to proceed with the issuance of the sale certificate. The respondents 2 to 4, on the other hand, contended that they had complied with all the conditions stipulated in the DRT's conditional order and had filed an application for taking possession of the property. They asserted that upon compliance with the payment conditions, they were entitled to redeem the property and resume possession thereof.

The Appellate Tribunal gave its careful consideration to the rival submissions and perused the records in detail. The Tribunal noted that SA 899/2025 had been filed to set aside the sale notice dated 4th October 2025 and the consequential sale held on 29th October 2025. In the pending application, IA 4416/2025 had been filed seeking a stay of further proceedings. The DRT had passed an interim order on 7th November 2025 without going into the merits of the case, directing the Bank not to issue the sale certificate till 31st December 2025 subject to payment of the amount as aforesaid. The Tribunal observed that the sale had already been held on 29th October 2025, prior to the date of passing of the interim order. Once the sale is held, the consequential actions are the confirmation of the sale and the issuance of the sale certificate. The Tribunal found that the DRT's interim restraint effectively stalled the statutory process that ought to follow a concluded auction.

The Tribunal squarely rejected the submission of respondents 2 to 4 that, upon compliance with the conditional order, they were entitled to redeem the property and take possession. The Tribunal held that this submission was not correct and not in

accordance with law. It reiterated the well-settled principle that the right of redemption is lost once the sale notice is published. The borrowers could not, after the publication of the sale notice and the conduct of the auction, resurrect their right of redemption by merely tendering the amount in instalments. The Tribunal clarified that the order under challenge was only an interim order passed in IA 4416/2025, and no final order had been passed in that application. Therefore, the proper course was to direct the DRT to dispose of the interim application on merits and in accordance with law, taking into consideration the fact that the right of redemption is lost once the sale notice is published.

The Tribunal also directed the learned Presiding Officer, DRT, Madurai, to dispose of the main SA 899/2025 as expeditiously as possible on merits and in accordance with law. The Appellate Tribunal was conscious that the appellant, as a successful auction purchaser, had already made all payments and was being deprived of the fruits of the auction by an indefinite interim restraint. The Tribunal therefore sought to balance the interests of all parties by ensuring that the DRT adjudicated the matter on merits without further delay, rather than allowing the interim order to operate as a de facto final order.

In view of the foregoing, the DRAT disposed of the appeal by directing the learned Presiding Officer, DRT, Madurai, to dispose of IA 4416/2025 immediately on merits and in accordance with law, taking into consideration the well-settled principle that the right of redemption is lost once the sale notice is published. The DRT was also directed to dispose of SA 899/2025 as expeditiously as possible on merits and in accordance with law. The parties were directed to bear their own costs, and pending interim applications, if any, were directed to stand disposed of.

This judgment is an important reminder in the jurisprudence of debt recovery and secured asset enforcement that the right of redemption under the SARFAESI Act is not an indefinite entitlement that can be invoked at any stage of the enforcement process. Once the sale notice is published, the borrower or guarantor is precluded from unilaterally reclaiming the secured asset by tendering the outstanding dues, and any attempt to do so through conditional interim orders cannot override the statutory rights of a successful auction purchaser. The ruling reinforces the principle that interim orders must not be used to stall the culmination of enforcement proceedings, and that Tribunals must adjudicate securitisation applications on merits with due expedition to prevent prejudice to bona fide purchasers who have already discharged their obligations. The decision provides necessary clarity on the temporal limits of redemption and highlights the need for judicial discipline in the grant of stays in SARFAESI matters.

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