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INSOLVENCY & BANKRUPTCY

RPs Declared ‘Public Servants’: High Court Ruling Boosts Accountability in IBC

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Introduction

The Insolvency and Bankruptcy Code (IBC) has transformed India's corporate debt resolution framework, placing Resolution Professionals (RPs) at the centre of the process. Entrusted with managing distressed companies, collating claims, and safeguarding assets, their role directly impacts creditors, debtors, and the broader economy. The key issue has been whether Resolution Professionals qualify as "public servants" under the Prevention of Corruption Act, 1988, thereby bringing them within the ambit of its stringent anti-corruption framework.

In a judgment delivered by the Madras High Court in *Anil Kumar Ojha v. The State & Others*[1] the Court held that Resolution Professionals, being appointed by the National Company Law Tribunal (NCLT) to perform functions connected with the administration of justice, fall within the definition of "public servants." This ruling resolves conflicting High Court views and carries far reaching implications for accountability and integrity in the insolvency ecosystem.

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Background of the Case

- The case arose out of alleged financial irregularities during the corporate insolvency proceedings of M/s. S.L.O. Industries Ltd. The petitioner, Anil Kumar Ojha, its former Managing Director, approached the Madras High Court seeking proper investigation into the matter.
- The National Company Law Tribunal (NCLT), by order dated 14th November 2019, admitted an insolvency petition and handed over the management of the company to an Interim Resolution Professional (IRP). Subsequently, the company went into liquidation on 21st January 2022, and a liquidator was appointed. Upon assuming charge, the liquidator discovered major discrepancies: inventory worth nearly Rs. 840 crores had drastically reduced, and a difference of Rs. 625.25 crores was officially recorded.
- Based on the complaint filed by the petitioner, the CBI registered an FIR. However, the filing of the final report was delayed because the Insolvency and Bankruptcy Board of India (IBBI) withheld sanction for prosecution. The IBBI's position was that Resolution Professionals are not "public servants," relying on a 2023 Delhi High Court judgment (*Dr. Arun Mohan v. CBI*).
- This stand was challenged before the Madras High Court, leading to the present ruling.
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Legal Issue Before the Court

The central question before the Madras High Court was whether a **Resolution Professional (RP)** appointed by the National Company Law Tribunal (NCLT) qualifies as a **"public servant"** under Section 2(c) of the **Prevention of Corruption Act, 1988**.

The Court had to determine if the functions carried out by an RP managing the debtor's affairs, preserving assets, collating claims, and submitting reports to the NCLT fall within the statutory meaning of performing duties connected with the administration of justice or carrying out a public duty.

In this context, three provisions of Section 2(c) were particularly relevant:

- **Section 2(c)(v):** Includes *any person authorised by a court of justice to perform any duty in connection with the administration of justice, including a liquidator, receiver, or commissioner*.

- **Section 2(c)(vi):** Covers *any person to whom a matter is referred for decision or report by a court of justice or competent public authority*.
- **Section 2(c)(viii):** Encompasses *any person who holds an office by virtue of which he is authorised or required to perform a public duty*.

The issue was crucial because recognition of RPs as public servants would make them accountable under the Prevention of Corruption Act and require sanction for prosecution, thereby shaping the future of insolvency related investigations.

Duties of Resolution Professionals

Drawing from the Supreme Court's rulings, particularly in **Dilip B. Jiwrajka v. Union of India[2]**, the Court emphasized that:

- **Financial and Asset Management:** An RP's role begins with gathering all of the corporate debtor's financial information and taking custody of its assets. This is crucial for preserving the company's value while the insolvency process is ongoing.
- **Creditor Claims and Committee Formation:** RPs are responsible for collating the claims of all creditors and, based on these claims, constituting the Committee of Creditors (CoC). This CoC is the primary decision-making body during the Corporate Insolvency Resolution Process (CIRP).
- **Statutory Filings and Oversight:** The RP must file necessary reports with the National Company Law Tribunal (NCLT), ensuring the process remains transparent and adheres to legal timelines.

Based on the ruling, the duties of a Resolution Professional (RP) are administrative and supervisory in nature. They are central to the integrity of the insolvency process.

The Broader Role of an RP

The Supreme Court, in its ruling, rejected the Delhi High Court's narrow interpretation of **Section 2(c)(v)**. It held that the principle of **ejusdem generis** did not apply to the role of a Resolution Professional (RP).

- **The Error:** The Delhi High Court incorrectly limited the scope of the definition by applying the principle of *ejusdem generis*, which suggests that general words following a list of specific items should be interpreted in a similar, narrow context.
- **The Correct View:** The Supreme Court clarified that RPs perform essential functions authorized by a court of justice (the NCLT). Their duties are not merely private or administrative but are vital to the administration of justice in the insolvency process.
- **The Outcome:** By performing court-authorized public duties, Resolution Professionals fall squarely within the definition of a "public servant" for the purposes of anti-corruption laws, even though they are not government employees. This ensures that RPs can be held accountable for any misconduct.

Court's Decision

- The Madras High Court held that **Resolution Professionals are public servants under Section 2(c)(v), (vi), and (viii) of the Prevention of Corruption Act, 1988.**
- Consequently, the IBBI was directed to consider the sanction request within four weeks, enabling the CBI to file its final report within a further four weeks.

This ruling holds significant implications for the insolvency framework in India by clarifying the legal status and accountability of Resolution Professionals (RPs).

Key Implications of the Ruling

- **Judicial Clarity**: The judgment resolves a long-standing ambiguity regarding the legal status of RPs, definitively classifying them as **"public servants"**. This provides clear legal guidance for both the judiciary and prosecuting agencies.
- **Enhanced Accountability**: By bringing RPs under the purview of anti-corruption laws, the ruling ensures that they can be held accountable for any misuse of power or fraudulent activity. This enhances the integrity of the entire insolvency process.
- **Recognition of Public Role**: The court's decision recognizes that, despite their administrative and supervisory duties and being subject to the Committee of Creditors (CoC), RPs are central to the **administration of justice**. Their functions are not merely private but serve a vital public purpose in resolving corporate debt.

- **Widespread Impact**: This judgment sets a precedent that will likely influence insolvency proceedings and similar cases across India. It will remain a key reference point until the Supreme Court provides its final authoritative ruling on the matter.

Conclusion

The Madras High Court's judgment in **Anil Kumar Ojha v. State & Others** is a decision in India's insolvency law. By classifying Resolution Professionals (RPs) as **"public servants,"** the court has significantly enhanced the accountability framework for insolvency proceedings.

This ruling is crucial for preventing investigations into financial misconduct from being stalled. It ensures that RPs, who manage and control corporate assets during insolvency, are subject to the Prevention of Corruption Act, 1988. This judgment strengthens the integrity of the insolvency system and better protects the interests of creditors. While the Supreme Court's final word is awaited, this ruling provides a vital check on the powers of RPs.

For more details, write to us at: contact@indialaw.in

[1] Crl.O.P.No.16812 of 2025

[2] (2024) 5 SCC 435

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