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Authority by Designation: NCLAT Clarifies Power of Attorney Execution in Indian Bank v. Aman Hospitality

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Introduction

The Insolvency and Bankruptcy Code, 2016 (IBC) often throws up substantive questions of debt and default and technical objections on authorisation and procedure. In a recent decision, the National Company Law Appellate Tribunal (NCLAT) in Indian Bank v. M/s Aman Hospitality Pvt. Ltd., Company Appeal (AT) (Ins) No. 569 of 2025, decided on 7 August 2025, addressed one such issue: whether a power of attorney (POA) executed by officers nominated by their designation rather than by name could be treated as valid. The judgment clarifies the law on corporate authorisation and rebukes overly technical objections that risk obstructing justice in insolvency proceedings.

Table of contents

- Introduction
- Background of the Case
- Arguments on Behalf of Indian Bank
- Arguments on Behalf of Aman Hospitality Pvt. Ltd.
- Issues Before the NCLAT
- Court's Analysis
- Final Decision
- Conclusion

Background of the Case

Indian Bank, as a financial creditor, filed an application under Section 7 of the IBC before the NCLT, New Delhi, against M/s Aman Hospitality Pvt. Ltd., the corporate debtor. During the proceedings, the Bank moved an interlocutory application (I.A. No. 4394 of 2024) seeking to amend Part IV of Form?1, primarily to rectify and elaborate certain particulars of the debt. The application, however, was not examined on its merits.

On 25 March 2025, the NCLT dismissed the application on the ground of maintainability. It held that the Chief Manager of the Bank, Shri Navjeet Nirala, who filed the papers, acted under a POA that was invalid. The adjudicating authority found fault in the fact that the POA had been executed not by individuals specifically named by the Bank's Board, but by the General Manager (HRM) and Deputy General Manager (HRM), who, according to the NCLT, lacked authority to execute the document.

Aggrieved by this dismissal, Indian Bank approached the NCLAT.

Arguments on Behalf of Indian Bank

Counsel for Indian Bank argued that the NCLT's approach was unduly technical. The Bank's Board of Directors, through a resolution dated 6 November 2014, had put in place a Uniform Power of Attorney System, allowing two General Managers, or one General Manager along with a Deputy/Assistant General Manager nominated by the CMD or Executive Director, to execute powers of attorney on behalf of the Bank. In pursuance of this resolution, the CMD and ED had nominated the GM (HRM) and DGM (HRM) in November 2014 to act as such authorities.

Thus, when GM (HRM) Shri Arvind Misra and DGM (HRM) Shri Venkatachalam executed the POA in favour of Shri Nirala on 26 July 2023, they were acting fully within the authority delegated to them by the Board. The Bank stressed that the law recognises delegation by designation of office as valid, even without naming officers individually.

The Bank placed reliance on the judgment of the Supreme Court in United Bank of India v. Naresh Kumar (1996) 6 SCC 660, where the Court held that banks and similar institutions act through their officers, and procedural technicalities about authorisation cannot be allowed to defeat substantive justice. It argued that if the NCLT's reasoning were accepted, nationalised banks would face paralysis in legal matters, as Board approvals would be required each time incumbents changed.

Arguments on Behalf of Aman Hospitality Pvt. Ltd.

Counsel for the respondent supported the NCLT's order, contending that the Board had empowered only the CMD or the Executive Director to nominate individuals by name for the issuance of POAs. Nomination by office designation was insufficient.

Since the GM (HRM) and DGM (HRM) were only referred to by designation and not by name, the POA of 26 July 2023 was without valid authority. Consequently, they argued, Shri Nirala lacked locus to move the application for amendment before the NCLT, and the rejection of the plea was proper.

Issues Before the NCLAT

The central question for the NCLAT was whether execution of the POA under the Bank's internal authorisation structure – by officers nominated by office/ designation – was legally valid. Connected to this was the issue of whether the NCLT erred in dismissing the amendment application without examining it on merits.

Court's Analysis

The Appellate Tribunal carefully examined the Board resolution of 6 November 2014 and subsequent communications nominating the GM (HRM) and DGM (HRM) as competent authorities. It observed that the Board resolution expressly allowed the CMD and ED to nominate officers for issuance of POAs. The nomination in 2014 of the GM and DGM (HRM) fulfilled this mandate.

There was no requirement that nominations be made by individual names; office designations provided certainty as to the incumbents empowered from time to time. Whoever held those offices would lawfully inherit the authority. Consequently, the POA executed in 2023 in favour of Shri Nirala was valid.

The Tribunal highlighted that law recognises delegation through office as equivalent to delegation by name, given that corporations and banks act as continuous institutions through changing officers. The contrary view of the NCLT, it held, was too restrictive and liable to paralyse the functioning of financial institutions.

The NCLAT drew strength from the ruling in United Bank of India v. Naresh Kumar, cautioning that hyper?technical pleas about authority should not defeat substantive rights, particularly in the context of institutions governed by clear authorisation frameworks.

Final Decision

The NCLAT set aside the NCLT's order of 25 March 2025, holding that the POA executed in favour of Shri Nirala was duly authorised. It allowed the appeal by Indian Bank and remanded the matter back to the NCLT for fresh consideration of I.A. No. 4394 of 2024 on merits.

Conclusion

The NCLAT's decision in Indian Bank v. M/s Aman Hospitality Pvt. Ltd. reiterates an important principle: in corporate and banking litigation, substance must prevail over form. Where the Board of a bank has clearly authorised issuance of POAs through officers holding specified designations, the acts of such officers are valid and binding. To insist on repeated naming of individuals would unduly impede the smooth functioning of financial institutions. By resolving this dispute, the Tribunal has reaffirmed the pragmatic approach in insolvency law – ensuring that technicalities of authorisation do not frustrate the substantive rights of a financial creditor under the IBC.

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