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CIBIL Defaults Can Cost You a Job: SBI's Clause 1(E) Stands Valid, Rules Madras HC

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In a recent judgment dated June 2, 2025, the Madras High Court upheld the decision of the State Bank of India (SBI) to cancel the appointment of a candidate selected for the post of Circle Based Officer (CBO), citing adverse credit history. In *P. Karthikeyan v. General Manager and ors.*, the Court ruled that under Clause 1(E) of the recruitment notification, candidates with records of loan defaults or adverse CIBIL reports are ineligible for appointment, regardless of whether the debts were later repaid. The petitioner's history of delayed payments, written-off loans, and repeated credit enquiries constituted financial indiscipline, making the disqualification both valid and legally enforceable.

Background of the Case

The Petitioner, P. Karthikeyan, applied for the post of Circle Based Officer under SBI's recruitment notification dated 27.07.2020. He cleared all selection stages, including the interview and medicals, and received his appointment letter on 12.03.2021. Following the appointment, he resigned from his previous position at HDFC Bank and prepared to join SBI.

However, a CIBIL report dated 12.03.2021 highlighted multiple defaults in loan repayments, including written-off loans and overdue credit card dues. Based on this, SBI issued a show-cause notice and eventually cancelled his appointment via an order dated 09.04.2021. Karthikeyan then filed a writ petition under Article 226 of the Constitution, seeking to quash the cancellation order.

Petitioner's Contentions

In his contentions, the Petitioner claimed that he did not have any dues or adverse report in repayment of loans/credit card as he had already cleared all the loans. The learned counsel further submitted that the Petitioner was not declared as defaulter by CIBIL report or by any other agency and therefore, the impugned order cancelling the petitioner's appointment invoking Clause 1(E) (Eligibility Criteria) as defaulter was illegal and liable to be set aside on the grounds of discrimination.

SBI's Defense

SBI filed a detailed counter and also a detailed additional counter. SBI submitted that in the recruitment notification for the post of CBO, alerts were given cautioning the interested candidates to ensure their eligibility prior to applying for the post of CBO. They relied on Clause 14(ii)(General Information), Clause 16(Disclaimer) and Clause 1(E) (Eligibility Criteria) and submitted that the petitioner had given false and untrue declaration and therefore, his appointment was cancelled.

The Respondent contented that the petitioner's CIBIL Report revealed adverse credit history in repayment of loan, credit card usage and therefore, the petitioner was found ineligible under Clause 1(E) of the eligibility criteria. The CIBIL report established that there were 9 irregular credit facilities and more than 10 credit enquiries against the petitioner during the period 2016 to 2021, ranging from Rs. 1000/- to Rs. 30,00,000/-.

Court's Observations and Ruling

Justice N. Mala upheld SBI's decision, ruling that Clause 1(E) clearly stipulates that candidates with adverse credit history are not eligible, regardless of whether loans are later cleared. The petitioner never challenged the validity of Clause 1(E), therefore, his interpretation of it could not be entertained.

The Court specifically referred to the [CIBIL](#) report dated 12.03.2021, which showed serious financial indiscipline including multiple loan defaults (some written off), litigation filed by lenders, delayed credit card payments, and over 50 credit inquiries between 2016 to 2021. The Court noted that the petitioner admitted to taking loans for his brother's business and defaulted when the latter met with an accident, thereby validating SBI's claim of ineligibility. Accordingly, the writ petition was dismissed.

The Court relied on key precedents, including:

- **Chief Manager, PNB v. Anik Kumar Das (2020)** – Once a candidate participates in the selection process under certain terms, they cannot later challenge eligibility conditions.
- **J. Ranga Swamy v. State of A.P. (1990) 1 SCC 288** – Courts will not interfere in eligibility conditions unless they are arbitrary or unconstitutional.

- **Yogesh Kumar v. Govt. of NCT Delhi (2003)** – Recruitment must strictly follow notified rules; deviation would harm meritorious candidates.

This ruling serves as a reminder that employers in the financial sector are entitled to insist on high personal financial standards, and that courts will uphold such requirements unless shown to be manifestly arbitrary.

Conclusion

This judgment reaffirms the employer's right to enforce strict eligibility norms, especially in sensitive sectors like banking. It sends a strong message that financial credibility is not just a personal virtue but a professional necessity in public service. Candidates aspiring for such roles must maintain a clean credit history, as post-facto regularization may not override past indiscipline.

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