2026 INSC 478

REPORTABLE

IN THE SUPREME COURT OF INDIA
CIVIL APPELLATE JURISDICTION

CIVIL APPEAL NO(S). _____ OF 2026
@ SPECIAL LEAVE PETITION (CIVIL) NO(S). 10226 OF 2023

CANARA BANK **... APPELLANT(S)**

VERSUS

PREM LATHA UPPAL (DEAD) THROUGH LRS. **... RESPONDENT(S)**

J U D G M E N T

S.V.N. BHATTI, J.

1. Leave granted.

2. The Civil Appeal arises from the judgment dated 15.02.2023, in Writ Appeal No. 6228 of 2013 in the High Court of Karnataka at Bengaluru. Canara Bank is the Appellant, and Prem Latha Uppal/first Respondent, was working as a Senior Manager, Scale-III, at one of Canara Bank's branches in New Delhi. The first Respondent is Deceased, Respondent Nos. 1.1 to 1.3 are the legal heirs and representatives of the estate of the deceased first Respondent.

3. By order dated 31.05.2006, the Appellant, pursuant to disciplinary proceedings and report, by way of punishment, reduced the first Respondent to a lower grade, namely, from the SMG Scale-IV to MMG Scale-III. The first Respondent filed a Writ Petition No. 3150 of 2008, in the High Court of

Karnataka at Bengaluru, challenging the order of punishment of reversion to a lower grade. On 02.09.2013, the Writ Petition was dismissed. The first Respondent, aggrieved by the order of the learned Single Judge, filed a Writ Appeal No. 6228 of 2013. Through the impugned Judgment, the Writ Appeal was allowed, and the order of punishment dated 31.05.2006 has been set aside. Hence, the Civil Appeal at the instance of Canara Bank.

4. The Appeal presents the following two questions for consideration:

(a) Whether the impugned Judgment in setting aside the order of punishment dated 31.05.2006 exceeded the scope of judicial review of a decision taken in the disciplinary proceedings initiated against an employee?

(b) Whether Regulation 10 of the Canara Bank Officer Employees' (Discipline and Appeal) Regulations, 1976 ("1976 Regulations") is mandatory or directory in deciding whether a common cause of action against more than one employee should be through a common or independent disciplinary proceeding?

5. A few relevant circumstances are that the first Respondent worked as a Senior Manager in the Diplomatic Enclave, New Delhi Branch of the Appellant-Bank. The first Respondent was one of the three members of the Credit Sanction Committee. The Credit Sanction Committee sanctioned financial assistance to M/s. Aman Trading Company and M/s. Creative Trading Company. The said sanction of the loan was found to be vitiated by negligence and collusion amounting to misconduct under the 1976 Regulations. The gist of the misconduct is that the officers sanctioned a loan

without a basic examination of the proposed borrower and without verifying the availability of the assets offered as security for the financial assistance. The first Respondent was charge-sheeted on 27.07.2005 for two Articles of Charges, i.e., Article I for M/s Aman Trading Company and Article II for M/s. Creative Trading Company.

5.1 Article I Charges cited failure to: (i) independently verify the existence of the business at the address provided and to conduct a proper credit investigation; (ii) independently check the ownership of property offered as collateral security through neighbourhood or Sub-Registrar's office enquiries; (iii) ensure the OPL from the previous banker, M/s. Jain Co-operative Bank, was obtained directly and to verify its genuineness; (iv) ensure the borrower's account with the previous banker was closed as per sanction terms; (v) notice discrepancies in financial papers, such as auditors sharing the same address as the guarantors; (vi) ensure loan documents were executed by the correct person whose photograph was on record, rather than an impersonator; and (viii) verify the identity and net worth of the guarantor. The charges further note that the first Respondent permitted large cash withdrawals without ensuring proper use of the funds and recommended renewing credit facilities without first obtaining the necessary audited balance sheets.

5.2 Article II charges her with failing to: (i) properly scrutinise the Legal Scrutiny Report, specifically by failing to identify a discrepancy in the address of the Sub-Registrar's office; (ii) compare and note differences between photographs and signatures on official identity documents and those on bank applications and title deeds; and (iii) verify guarantors' net worth and permit

large cash withdrawals without monitoring the use of funds. The charges also note that she recommended the credit limit without independently verifying the existence of the business or the ownership of the collateral property, and that she recommended limits based on an introducer whose account did not meet the bank's minimum account age requirement of one year.

6. In the disciplinary proceedings, the charges were proved against the first Respondent. The case of the first Respondent in assailing the order dated 31.05.2006 is that the Appellant was only a Senior Manager and a member of the Credit Committee, and not the final Sanctioning Authority. Investigations into the fraudulent firms were handled by other officers, P.P. Nayak and S.S. Bhat, and she is being punished for duties that fall outside her Key Result Areas. The enquiry relied on statements from individuals who were not examined during the disciplinary proceedings, thus violating principles of natural justice. Furthermore, she was punished by the disciplinary authority for charges that the Enquiry Officer found to be not established. The first Respondent suffered hostile discrimination, whereas six other officers involved received minor penalties, such as the denial of increments, while she was singled out for severe punishment. The Disciplinary Authority, Appellate Authority, and Reviewing Authority acted mechanically, with closed minds, and exhibited a lack of application of mind. She prayed the High Court to quash these orders and restore her to the SMG-IV rank, with consequential benefits.

7. The Appellant, apart from relying on the findings recorded by the Enquiry Officer, resisted the Writ Petition by contending that as the Senior

Manager in charge of the Credit Department and a committee member, she was directly responsible for cross-checking documents and ensuring compliance with safeguards while sanctioning a loan, regardless of whether other officers acted diligently or handled parts of the verification. The strict rules of the Indian Evidence Act do not apply to domestic enquiries, and the first Respondent did not question the veracity of the statements relied upon by the Appellant during the enquiry. The enquiry authority was unbiased, specifically finding her not guilty on charges such as cash withdrawals, where evidence was lacking. There was no discrimination, as her senior position carried greater authority and responsibility than other charge-sheeted officers. Considering the gross lapses and the massive financial risk she exposed the Bank to, the Disciplinary Authority viewed her case reasonably and imposed a lenient punishment. The orders from the Disciplinary, Appellate, and Reviewing Authorities were well-reasoned, fair, and just. The Review Petition was rightfully dismissed as she presented no new material evidence. Hence, the Writ Petition lacked merit and should be dismissed.

8. The learned Single Judge on 02.09.2013 dismissed the Writ Petition No. 3150 of 2008. The Single Judge rejected the first Respondent's argument that she should receive a lesser punishment, similar to that imposed on other officials, upon observing that no material evidence was produced to prove that the charges against the first Respondent and the other officials were identical. It was observed that the first Respondent acted casually and negligently, failing to independently verify the existence of firms and the ownership of collateral securities, thereby prejudicing the bank's interests. Regarding

Regulation 10 of 1976 Regulations, it was observed that the use of the word "may" makes holding a common proceeding discretionary for the Competent Authority. Because the charges against the Officers differed, the bank was not bound to order a joint proceeding. Further, the High Court held that the Enquiry Officer provided the respondent with a substantial opportunity to present her case. Lastly, it determined that the authorities had diligently and exhaustively considered the first Respondent's case, leaving no grounds for judicial review. The learned Single Judge concluded the writ petition was devoid of merit and dismissed it.

9. On appeal, the Division Bench, by the impugned order, set aside the order dated 02.09.2013 in the writ petition and the disciplinary order dated 31.05.2006. For convenience, we may summarise the Division Bench's consideration of the issues on the merits of the enquiry as follows:

9.1 The Division Bench declined to grant liberty to the appellant to proceed afresh against the respondent since granting such liberty would impact the other six officers not party to the appeal, and the bank's own pleading admitted that no criminal connivance was found against the respondent. The respondent had been promoted to SMG Scale-IV on 19.07.2004, after the very transactions in question, and the respondent had already superannuated on 31.11.2010.

9.2 The Division Bench, on merits, held that during the enquiry, the Presenting Officer relied upon and extracted from the statements of S.S. Bhat, MW2, and R. Chandramouli, MW3, both of whom were officers and co-accused in respect of the same cause of action. These statements, recorded

by the Investigating Officer, were referred to during the cross-examination of Management Witness, MW1, and relied upon by the Enquiry Officer in recording a finding that the charges against the respondent were partly proved. However, neither of them was examined as witnesses in the departmental enquiry. The Bench held that the Enquiry Officer had relied upon material against which the respondent was given no opportunity to rebut. In fine, accordingly, the Division Bench appreciated and noted that MW1 cannot be considered a witness to the accusation against the respondent, and that he relies on the statements recorded during the preliminary investigation. The findings of the Enquiry Officer were vitiated for want of a semblance of evidence.

9.3 On a perusal of the charges framed against the respondent, the Bench found that no vigilance angle was involved. Therefore, consultation with the Central Vigilance Commission ("CVC") was not required in the facts of the case. Since the CVC had nonetheless been consulted, the Bench answered this issue against the appellant, though it did not separately set aside the proceedings on this ground alone. Hence, the impugned order has set aside the order of punishment.

10. We have heard the learned Senior Counsel Mr. Naveen R. Nath, and Mr. Shailesh Madiyal, for the parties.

11. The Appellant assails the findings of the Division Bench on the merits of the matter, particularly by arguing that the re-appreciation of evidence to test the veracity of findings recorded by the disciplinary authority and learned Single Judge is illegal and erroneous.

11.1 The next argument is that Regulation 10 of the 1976 Regulations has been interpreted as mandatory, thereby removing the Management's discretion. The High Court of Andhra Pradesh and the High Court of Karnataka have taken inconsistent views on the meaning of the word "may" in Regulation 10, with one treating it as "directory" and the other as "mandatory". The argument proceeds that there is no basis whatsoever in plain interpretation to read "may" as "shall" and make it mandatory.

12. For the first Respondent, it is argued that the Division Bench's findings largely rest on the lack of evidence to support any view on the charges framed against her. It is not a case of exceeding the scope of judicial review, but of appreciating an error apparent on the face of the record. The first Respondent is no more, and it serves no purpose to remit the matter to the Disciplinary Authority for reconsideration. It is further argued that it is not a case of re-appreciation of evidence or of giving a new finding to the admitted circumstances of the case. The Division Bench recorded that the enquiry held by the Appellant was vitiated by principles of natural justice, and such findings were made for want of evidence. The precedents on the point set out a few limitations, such as re-appreciation of evidence, when examining an issue arising in a disciplinary proceeding. In the case at hand, the Division Bench has not exceeded the scope of judicial review. On the construction of the word "may" as mandatory or directory, it is argued that the Appellant's effort is to get the law declared by this Court. The first Respondent, therefore, does not canvass whether one or the other view is available.

13. We have perused the record and appreciate the rival submissions.

14. We prefer to take up the first argument, namely, that the impugned judgment has exceeded the scope of judicial review. It is axiomatic that the scope of judicial review, particularly in disciplinary matters, is well settled, and we do not intend to burden the judgment with citations. We have taken note of the findings and are of the view that the findings recorded in the impugned judgment on the merits of the matter are available, and there is no departure from the settled position of law. Having perused the record, we are of the view that the errors noted by the High Court against the findings recorded in respect of the first Respondent are not material, and the impugned judgment to that extent requires confirmation.

15. The above discussion takes us to the next point on the interpretation of Regulation 10 of the 1976 Regulations, which reads as follows:

> *"**10. Common Proceedings**: Where two or more officer employees are concerned in a case,* the *authority competent to impose a major penalty on all such officer employees may make an order directing that disciplinary proceedings against all of them may be taken in a common proceeding."*

The interpretation of "may" as "shall" is a question presented for our consideration. The interpretation, particularly before a court of law, is not a conundrum, inasmuch as it is based on the interpretative cannons. A word or a section is interpreted not as what one thinks but what it means. Further, in the process of interpretation, there must be no stress or strain to the sentence subjected to interpretation. "May" is not understood as "must", so long as the English language retains its meaning. Then it may be a question of which cases an authority or body with the power to interpret the words

treats “may” as mandatory, thereby interpreting “may” as “shall”. The enabling words are construed as compulsory whenever the object of the said authority is to effectuate a legal right.

16. The High Court of Andhra Pradesh at Hyderabad, in *T. Baba Prasad v. Andhra Bank, Hyderabad and others,*[1] interpreted “may” in Regulation 10 of the Andhra Bank Officer Employees (Discipline and Appeal), Regulations 1981 as directory (“1981 Regulations”). Regulation 10 of 1981 Regulations is *pari materia* to the 1976 Regulations. The High Court of Andhra Pradesh has taken note of the view of the High Court of Karnataka in *Arun Kumar Alva v. The Vijaya Bank, M.G. Road, Bangalore and others,*[2] and held that the view does not reflect the correct position of law. *T. Baba Prasad (supra)* surveys[3] the case law on the point, interpreting “may” and “shall,” and concludes that “may” in Regulation 10 of the 1981 Regulations is directory rather than mandatory. While differing with the High Court of Karnataka, the learned Single Judge, *Justice Nooty Ramamohana Rao*, held that Regulation 10 of the 1981 Regulations was enacted to vest the Bank with the necessary power to order

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[1] (2011) SCC OnLine AP 276.
[2] (2006) SCC OnLine Kar 178.
[3] See *Natvarlal Nagindas v. Emperor*, AIR (1931) Bom. 198 (Chief Justice Beaumont): “The word 'may' is sometimes construed as 'shall' but obviously its prima facie effect is merely permissive and not obligatory.” The Magistrate under Section 29-B CrPC had a discretion, not an obligation, to use the special provision;
State of U.P. v. Babu Ram Upadhya, AIR (1961) SC 751 (Constitution Bench, Koka Subba Rao J.): held (i) Whether a statute is mandatory or directory depends on the intent of the Legislature, not on the language in which that intent is clothed, (ii) The court must attend to the nature, design, and consequences of construing the provision one way or the other, (iii) Even the word "shall" may be directory, and "may" may be mandatory, (iv) Where invalidation of acts done in neglect of a provision "would work serious general inconvenience or injustice to persons who have no control over those entrusted with the duty without promoting the essential aims of the Legislature, the provision is directory (Maxwell on Interpretation of Statutes, 10th ed., p. 381, approved by the Privy Council in Montreal Street Railway v. Normandin, AC 170).

joint/common proceedings where more than one officer is involved. Without it, such proceedings might not have been permissible at all. It is a facilitative, not an obligatory, provision. Further, the context of Regulation 10 does not support reading "may" as "shall." The judgment observes that "*[t]he very context of its setting does not lend any support to the view that holding of such common proceedings is a mandatory affair.*" In continuation thereof, it observes that treating "may" as mandatory either takes away or restricts the discretion vested with the Management or the dynamic situations of the different authorities, being the Competent Authority in the disciplinary proceedings. The learned Single Judge held that "*Regulation 10 does not vest any power or right in the hands of a delinquent officer/employee to either insist or ask for joint or common proceedings to be held. There is no such corresponding right vested in an employee*", and that "*[f]ailure to hold a joint enquiry [does not vitiate] the disciplinary proceedings already initiated against an individual officer.*"

17. In our view, the word "may" in Regulation 10 of the 1976 Regulations, from any standpoint, is directory. Construing "may" as mandatory would remove the discretion available to the employer in dynamic circumstances. We need not elaborate on all the circumstances, but it would suffice to note that the roles of charge-sheeted employees may not be the same or similar in cases that fall under a common category. Similarly, the disciplinary authority may be different, such as Assistant General Manager, Regional Manager, Chief General Manager or Executive Director, to initiate disciplinary action depending upon the cadre of the charge-sheeted employee. We affirm the view

taken by the High Court of Andhra Pradesh in *T. Baba Prasad (supra)*. Hence, we set aside the view taken in the impugned judgment with respect to Regulation 10 of the 1976 Regulations.

18. The impugned Judgment is interfered with to the extent indicated above, and the Civil Appeal is disposed of accordingly. The Appellant is directed to settle the account of the first Respondent by duly noting the outcome of the impugned Judgment within six weeks from today. Pending application(s), if any, stand disposed of.

.....J.
[S.V.N. BHATTI]

.....J.
[VIJAY BISHNOI]

New Delhi;
May 12, 2026