



W.P(MD)No.12695 of 2018

WEB COPY **BEFORE THE MADURAI BENCH OF MADRAS HIGH COURT**

DATED: 08.07.2026

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THE HONOURABLE MR.JUSTICE M.DHANDAPANI

W.P(MD)No.12695 of 2018

and

W.M.P(MD)Nos.11574 & 11575 of 2018

Tamil Nadu Primary Co-operative Bank,
All Employees Association, 383/SAT
By its Honourary General Secretary,
C.Kuppusamy,
No.55/7, TNGO Buildings,
Kailasapuram,
Tirunelveli Junction,
Tirunelveli – 1.

... Petitioner

Vs

1.The Director of Co-operative Audit,
Office of the Director of Co-operative Audit,
No.5, Kamaraj Salai,
Chennai – 5.

2.The Registrar of Co-operative Societies,
Office of the Registrar of Co-operative Societies,
No.170, EVR High Road,
Kilpauk,
Chennai – 10.

... Respondents



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WEB COPY PRAYER: Writ Petition filed under Article 226 of Constitution of India, to issue a Writ of Certiorarified Mandamus calling for the records relating to the first respondent impugned circular No.4 of 2015 in Na.Ka.No. 32055/2016/Se.Thu.Pu.Ku.1Aa, dated 26.12.2016 regarding the special auditing to be done and the special audit report to be sent regarding the recovery of the loss from the Board of Directors and the Employees of the each society and quash the same and consequently direct the respondents not to do special audit, not to send special audit report and not to make recovery of the jewel loan loss from each Society as per the offending clause in the said Circular No.4.

For Petitioner : Mr.S.Seenivasagam

For Respondents : Mrs.K.R.Shiva Shankari
Counsel for State

ORDER

The present Writ Petition has been filed challenging Circular No. 4 of 2015, dated 26.12.2016, issued by the first respondent, insofar as it directs the conduct of a special audit, submission of a special audit report regarding the recovery of losses from the members of the Board of Directors and the employees of each Co-operative Society, and the consequent



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2.The learned counsel appearing for the petitioner submitted that the petitioner is the General Honorary Secretary of the petitioner's Association. The Association has filed the present Writ Petition challenging the circular issued by the first respondent relating to the recovery of jewel loan dues and the auction of pledged jewels. It is contended that, by the impugned circular, the first respondent has directed the auditors of the Co-operative Societies to conduct a special audit with respect to the alleged loss sustained by the Society where the pledged jewels of agriculturist-loanees were sold in auction for an amount lesser than the outstanding loan due. According to the petitioner, such loss has been treated as a loss attributable to the members of the Board and the Secretary of the Society



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3.The learned counsel appearing for the petitioner further submitted that the Secretary is merely an employee of the Co-operative Society and also a member of the petitioner's Association. Therefore, fastening liability upon the Secretary is arbitrary and unsustainable. It is further contended that the pledged jewels could not always be auctioned within the prescribed period. Earlier, the permissible period for auction was one year, whereas the impugned circular has reduced the period to ninety days. According to the petitioner, such a stipulation is impracticable and unsustainable in law. Hence, the petitioner sought appropriate relief.

4.Per contra, the learned counsel appearing for the first respondent submitted that the impugned circular was issued in the interest of agriculturist-loanees who avail jewel loans from Co-operative Societies by pledging their jewels. It is submitted that the circular was intended to



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prevent irregularities and malpractices resulting in financial loss to the Societies and to ensure proper administration of the lending process. The provision for a special audit has been introduced only to identify instances where losses have occurred due to negligence, omission, or commission on the part of the persons responsible for the management of the Society. It is further contended that the petitioner Association has not demonstrated any infringement of its legal or fundamental rights and, therefore, cannot be regarded as an aggrieved person so as to maintain the present Writ Petition. Accordingly, he prayed for dismissal of the Writ Petition.

5.This Court has carefully considered the rival submissions and perused the materials available on record.

6.The challenge in the present Writ Petition is directed against the administrative circular issued by the first respondent providing for the conduct of a special audit in respect of losses arising out of jewel loan transactions and the submission of a report regarding the responsibility, if



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any, of the persons managing the affairs of the Society. The object of the circular is to ensure accountability in the functioning of the Co-operative Societies, safeguard public funds, and protect the interests of agriculturist-loanees. The circular has been issued as an administrative measure to prevent financial irregularities and to identify instances where losses have occurred due to lapses on the part of those entrusted with the administration of the Society.

7.Mere initiation of a special audit does not, by itself, fasten liability upon any individual. The special audit is only a fact-finding exercise intended to ascertain whether any loss has been occasioned due to negligence, misconduct, or violation of the statutory procedure. If any adverse finding is ultimately recorded against any person, the concerned individual would necessarily be entitled to all procedural safeguards, including notice, opportunity of hearing, and such other remedies as are available under law before any liability is imposed or recovery is effected.



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8.The contention that the Secretary, being an employee of the Society, cannot under any circumstances be made answerable is premature and cannot be accepted. Whether any liability can ultimately be fastened upon any individual depends upon the findings recorded in the special audit and the subsequent proceedings conducted in accordance with law. Likewise, the challenge to the time frame prescribed for auctioning pledged jewels is essentially a matter of policy intended to minimise financial loss and protect the interests of both the Society and the borrowers. Unless the policy is shown to be arbitrary, unconstitutional, or contrary to the statutory provisions, this Court would not ordinarily interfere in exercise of its jurisdiction under Article 226 of the Constitution of India.

9.Further, the petitioner Association has failed to establish that any legal or fundamental right of the Association has been infringed by the issuance of the impugned circular. The circular is general in nature and is intended to regulate the administration of Co-operative Societies. The



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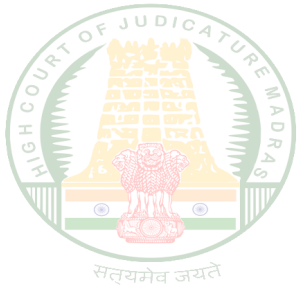
petitioner has not demonstrated any specific prejudice caused by the mere issuance of the circular so as to warrant interference by this Court.

10.In view of the above, this Court finds no illegality, arbitrariness, or infirmity in Circular No.4 of 2015, dated 26.12.2016, issued by the first respondent warranting interference under Article 226 of the Constitution of India.

11.Accordingly, the Writ Petition stands dismissed. There shall be no order as to costs. Consequently, connected Miscellaneous Petitions are closed.

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NCC : Yes / No
Index : Yes / No
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M.DHANDAPANI, J.

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