

Set-off of fixed deposits against overdraft as per an untainted pre-CIRP contract does not violate moratorium u/s 14 IBC, nor do such fixed deposits with interest form part of the Corporate Debtor's assets

The NCLT Bengaluru in the case of **Sindhu Cargo Services Pvt Ltd vs Yes Bank Ltd [IA No. 864/2024 In C.P. (IB) No. 71/BB/2023]** dated July 08, 2025, has held that the set-off of a fixed deposit against an overdraft, based on an untainted contract entered into before the commencement of the Corporate Insolvency Resolution Process (CIRP), does not breach Section 14 of the Insolvency and Bankruptcy Code, 2016 (IBC), nor do such deposits form part of the Corporate Debtor's asset pool.

The NCLT noted that the Corporate Debtor has availed of the draft facility of Rs. 4.5 crores against the fixed deposits of Rs. 5 crores lying with the Respondent based on the Board's Resolution, and hence, this transaction was clearly contractual, not a personal deal.

The NCLT further observed that the adjustment has stemmed from a pre-CIRP arrangement between the Corporate Debtor and the Respondent, thereby constituting a permissible transactional set off. Accordingly, the Bank's set off of the Over Drafts along with accrued interest against the Corporate Debtor's fixed deposits based on an untainted contract entered into before the commencement of the CIRP does not breach section 14 of the IBC, and fixed deposit with interest does not form part of the Corporate Debtor's assets pool.