

## **Moratorium u/s 14 & 96 of the IBC does not prevent a bank from classifying a fraudulent account during an ongoing CIRP**

The Mumbai NCLT in the case of **Union Bank of India vs Rolta India Ltd. [IA(I.B.C)/3028(MB)2025 (NEW IA) IN C.P. (IB)/530(MB)2020]** dated July 08, 2025, held that the banks can classify a Corporate Debtor's account as fraud even while a Corporate Insolvency Resolution Process (CIRP) is ongoing, and Section 14 of the Insolvency & Bankruptcy Code, 2016 (IBC) does not bar such classification as such classification is neither in nature of the institution of suits or continuation of pending suits or proceedings against the corporate debtor or an action to foreclose, recover or enforce any security interest created by the corporate debtor in respect of its property.

While emphasizing that the Corporate Insolvency Resolution Process (CIRP) and Fraud Identification are separate processes with different objectives, the NCLT also observed that moratorium under Sections 14 and 96 of the IBC does not prevent the banks from identifying and classifying a Fraudulent Account, as the same lies within its administrative decision, and thus, the banks can classify a Corporate Debtor's account as fraud even while the CIRP is ongoing.

The NCLT also clarified that its role is to ensure the integrity of the CIRP and address any fraudulent activities within that context, but not to directly overturn a bank's independent classification of an account. The Tribunal also emphasized that banks have the discretion to classify accounts as fraud based on their internal policies and Regulatory Guidelines. Accordingly, the NCLT refused to interfere in the bank's communication, classifying a Corporate Debtor's account as fraudulent during the CIRP.