

In the absence of a formal loan agreement, Form 26AS, TDS deductions & ledger entries, are sufficient to establish a Financial Debt u/s 5(8) of the IBC

The NCLT New Delhi in the case of **Fashion Suitings Pvt. Ltd. vs Shriya Overseas Pvt. Ltd. [Company Petition IB/689/ND/2023]** dated May 09, 2025, has held that the absence of a formal loan agreement does not defeat the existence of a financial debt. The documentary evidence, such as tax filings (Form 26AS), TDS deductions, ledger entries, financial statements, and written acknowledgments, is sufficient to establish a Financial Debt under Section 5(8) of the Insolvency & Bankruptcy Code, 2016 (IBC).

The NCLT noted that, although there was no formal written loan agreement, the disbursement of Rs. 1.5 crores by the Financial Creditor were not in dispute. The Corporate Debtor had consistently paid interest at the agreed rate of 15% per annum until March 31, 2019, and deducted TDS, which is corroborated by entries in Form 26AS and the petitioner's ledger account. Furthermore, the Corporate Debtor's audited balance sheet for FY 2017-18 recorded the loan under "Long-Term Borrowings," thus amounting to a clear acknowledgment of liability.

The NCLT emphasized the April 2021 letter issued by the Director of the Corporate Debtor, which reaffirmed the outstanding debt and promised repayment by September 30, 2021. This letter was accompanied by a confirmation of accounts, affirming both principal and accrued interest. The Tribunal thus reiterated that the absence of a formal loan agreement does not defeat the existence of a financial debt, and concluded that all essential elements under Section 5(8) of the IBC were satisfied. Consequently, the petition was admitted, and CIRP was initiated against the Corporate Debtor for a default amount of Rs. 2,70,33,417.