

When the loan is granted without any interest, it should have a consideration of the time value of Money

The NCLT New Delhi in the case of **Sunil Chopra vs. CAPL Hotels & SPA Private Limited [Company Petition IB/251/ND/2023]** dated May 09, 2025, dismissed a petition filed under Section 7 of the Insolvency and Bankruptcy Code, 2016 (“the code”) stating that when the loan is granted without any interest, it should have a consideration of the time value of Money.

As per the background of the case, one Sunil Chopra, Financial Creditor, extended an interest-free, unsecured loan of Rs. 6,73,00,000/- to the Corporate Debtor, CAPL Hotels and Spa Pvt Ltd. in 2009, and the loan was stated to be repayable on demand. The financial statements of the Corporate Debtor consistently recorded the amount as an ‘Unsecured Loan’. In July 2022, the Financial Creditor issued a loan recall notice, demanding immediate repayment, but the Corporate Debtor requested time to settle the matter, stating that the promoters of the company were not in India. As no repayment was made, the Financial Creditor served a second legal notice in 2023.

The NCLT noted that the Financial Creditor claimed the loan to be repayable on demand as it qualified as a financial debt under Section 5(8) of the Code. He further argued that despite the absence of interest, the disbursal amounted to a loan extended against the time value of money.

The NCLT found no reliable evidence indicating that the loan was extended with consideration of the Time value of money. As there was no rate of interest agreed between the parties, and no communication or documentation reflecting a commercial arrangement, therefore, in the absence of these elements, the transaction lacked the commercial substance necessary to constitute a financial debt under the Code. Further, the Tribunal observed that the loan recall notice was issued nearly 17 years after the alleged disbursal, and this significant delay, along with the absence of any formal agreement, interest clause, casts serious doubt on the nature of the transaction.

The NCLT also took note of the Corporate Debtor's contention that the Applicant had been in control of the Corporate Debtor, as a Director, when the accounting entries were made. Given this background, the Tribunal found the transaction to be a related party transaction, and the absence of any board resolution authorizing the loan from a related party further undermined the credibility of the claim.

The NCLT further held that the Financial Creditor appeared to be invoking the code solely as a tool for recovery, and that the Financial Creditor failed to establish the twin requirements of “financial debt” and “default”. Therefore, the Tribunal dismissed the application filed by the Financial Creditor seeking initiation of Insolvency Proceedings under Section 7 of the Code.