Corporate guarantees executed by a corporate debtor in respect of loans advanced to group entities constitute "financial debt" within the meaning of Section 5(8) of IBC, and the beneficiaries thereof are entitled to be treated as financial creditors

The **Supreme Court** in the case of **State Bank of India vs Doha Bank [Civil Appeal No. 8527 of 2022] dated April 28, 2026**, has held that corporate guarantees executed by a corporate debtor in respect of loans advanced to group entities constitute "financial debt" within the meaning of Section 5(8) of the Insolvency and Bankruptcy Code, 2016, and the beneficiaries thereof are entitled to be treated as financial creditors. Such claims cannot be rejected merely on the grounds of alleged non-disclosure in financial statements, non-filing of the guarantee documents along with Form C, or objections regarding improper stamping, since non-stamping or insufficient stamping is only a curable defect and does not invalidate the instrument.

The Court further held that where the corporate debtor itself admits execution of the guarantee, and the Resolution Professional has verified the instrument, the NCLT/ NCLAT cannot disregard the claim on speculative grounds relating to timing, disclosure, or procedural production of documents. If the findings of the NCLT and NCLAT ignore such material and reject the claim of a financial creditor, those findings are perverse and liable to be interfered with under Section 62 of the Code.

The Court observed that a liability arising from a corporate guarantee squarely falls within the ambit of "financial debt" under Section 5(8) of the IBC, and that the amount of any liability in respect of guarantees for money borrowed against payment of interest is a financial debt. It reiterated that a guarantor incurs a coextensive liability with that of the principal borrower and such liability is enforceable in law.

The Court found that the execution of the corporate guarantees was beyond doubt because the corporate debtor itself, through its counsel's communication dated March 19, 2019, admitted the execution of the guarantees and stated that information regarding the guarantees had always been publicly available and adequately disclosed in financial statements and annual reports of the borrower group.

On the question of timing, the Court held that the guarantees were executed before declaration of the account of the corporate debtor as NPA. Referring to Clause 17.2.6 of the RBI Master Circular dated July 01, 2015, the Court noted that where a restructured asset is subjected to restructuring again, its asset classification is reckoned from the date when it first became NPA. Therefore, the retrospective NPA classification from August 26, 2016 could not be used to question the timing and manner of the guarantees executed on March 03, 2017.

The Court further observed that mere non-disclosure of the corporate guarantees in the financial statements for financial years 2016–17 and 2017–18 could not deprive the appellants of their claim based on those guarantees; and at best, such non-disclosure could be treated as a default committed by the corporate debtor. It also held that the guarantees had been verified by the Resolution Professional after inspecting them in the office of the Security Trustee in

New Delhi, and therefore the NCLAT's finding that there was no material regarding verification was perverse.