Strict compliance with Rule 9 of the Security Interest (Enforcement) Rules, 2002 is a statutory sine qua non for a valid auction sale of secured immovable property under the SARFAESI Act

The **Supreme Court** in the case of **M.R. Vasumathi vs The Authorized Officer [Civil Appeal No. 1606 of 2026] dated June 09, 2026**, has clarified that compliance with Rule 9 of the Security Interest (Enforcement) Rules, 2002 is a statutory sine qua non for a valid auction sale of secured immovable property under the SARFAESI Act. Where the balance 75% of the purchase price is paid beyond the fifteen-day period prescribed in Rule 9(4), and there is no written agreement extending such time as required by the Rule, the sale stands vitiated. A sale suffering from such statutory non-compliance cannot be validated on the basis of equities, the borrower's earlier inaction, or the fact that the sale had been confirmed. The Court therefore set aside the auction sale on the ground of material irregularity going to the root of the matter, while expressly leaving the limitation issue open.

The Court observed that the validity of an auction under the SARFAESI framework must be tested strictly against the statute and rules, and not on equitable considerations alone. It emphasised that Rule 9(3), 9(4) and 9(5), as they stood at the relevant time, are mandatory in character. The purchaser was required to deposit 25% of the sale price immediately on the date of sale, and the balance amount within fifteen days of confirmation of sale unless an extended period had been agreed upon in writing between the parties.

The Court noted that, on the record, the balance 75% of the bid amount was admittedly paid only on 31.03.2010, whereas the outer limit of fifteen days had expired on March 26, 2010. The Bench found no material showing that the auction purchaser had sought extension before that date, or that any written agreement extending time had been entered into between the relevant parties. It held that broader considerations such as the borrower's conduct, delay in challenging proceedings, or hardship to the auction purchaser could not cure a sale process vitiated by statutory non-compliance. The Court also observed that the appellant and other legal heirs had taken steps before the DRT seeking permission to redeem the property, which sufficiently indicated willingness to redeem.

Accordingly, the Apex Court set aside the High Court, DRAT and DRT orders, and quashed the auction sale of the secured asset. It directed that the auction purchaser be refunded the entire amount deposited by him together with interest at 7% per annum from the respective dates of deposit until payment, such refund to be made by the secured creditor within six weeks. The appellant was granted an opportunity to redeem the mortgage by approaching the secured creditor within two weeks to ascertain the amount due, and on payment within the time to be stipulated by the secured creditor, the secured asset was to be restored.

The Court further directed that restoration would be available upon payment of Rs. 95.42 lakhs together with interest at 5% per annum from the date of the Section 13(2) notice until payment. If the appellant failed to avail this one-time opportunity, the secured creditor could put the property to fresh auction after eight weeks, after obtaining a fresh valuation report from a government-empanelled valuer.