

Prepayment charges, commitment charges and processing fees constitute recoverable liabilities arising from the lending transaction and fall within the ambit of “debt” under Section 2(g) of the Recovery of Debts and Bankruptcy Act, 1993

The **Calcutta High Court** in the case of **Maan Steel and Power Limited vs Indian Bank [WPO 2585 of 2022]** dated **June 10, 2026**, has held that prepayment charges, commitment charges and processing fees constitute recoverable liabilities arising from the lending transaction and fall within the ambit of “debt” under Section 2(g) of the Recovery of Debts and Bankruptcy Act, 1993. Where such liabilities remain unpaid, the debt cannot be treated as fully discharged merely because the principal outstanding and accrued interest have been paid.

Consequently, where the sanction letter and facility agreement contemplate such charges and the FDR is pledged as security for repayment of the entire debt, the bank is entitled to retain the pledged FDRs and refuse release of securities and issuance of a “No Due Certificate” until the outstanding contractual liabilities are satisfied. Accordingly, such action cannot be characterized as arbitrary, illegal or unreasonable in writ jurisdiction.

The Court observed that the principal issue was whether Indian Bank was justified in retaining the FDRs and declining to issue a “No Due Certificate” despite repayment of the principal outstanding together with accrued interest at the time of takeover by ICICI Bank. On examining the sanction letter, facility agreement and the bank’s communication, the Court found that the petitioner had been put on notice that, over and above the closure balance, interest and all other charges applicable under the sanction letter would remain recoverable.

The Court held that the expression “debt” under Section 2(g) of the Recovery of Debts and Bankruptcy Act, 1993 is of wide amplitude and includes prepayment charges, commitment charges and processing fees, these being contractual incidents of the lending arrangement itself. It also observed that omission to specifically quantify such charges in the closure computation did not extinguish the underlying contractual entitlement in the absence of waiver, accord and satisfaction, or novation.

The Court further observed that the FDRs had stood pledged as security for repayment of the “entire debt” and could not be said to become automatically releasable merely because the principal and interest components had been paid. It held that security follows the debt and continues until the secured obligations are fully discharged, and that mere communication of closure figures or acceptance of repayment of the principal exposure did not amount to abandonment of contractual claims expressly preserved under the governing documents.