

The principle of finality attached to court-confirmed auction sales is not absolute and does not prevent judicial scrutiny, especially concerning the adequacy of property valuation

The Supreme Court in the case of **Om Sakthi Sekar vs V. Sukumar [Civil Appeal No. 3362 of 2026]** dated March 13, 2026, has held that the principle of finality attached to court-confirmed auction sales is not absolute and does not prevent judicial scrutiny, especially concerning the adequacy of property valuation. The objective of an auction in recovery proceedings is to secure the best possible price for the asset, and the court's supervisory jurisdiction can be invoked to examine whether this objective was met.

The dispute arose out of recovery proceedings initiated by Indian Bank against a borrower and guarantors for outstanding dues arising from an “at par facility” agreement entered into in 1992. After the borrower defaulted, the bank approached the Debts Recovery Tribunal, Chennai, which in January 2010 held the borrowers and guarantors jointly and severally liable and issued a recovery certificate. Pursuant to the recovery certificate, the DRT attached the mortgaged properties and conducted a public auction on 29 October 2010. The appellant emerged as the highest bidder with a bid of ₹2,10,98,765. The sale was confirmed by the DRT on 31 January 2011, and a sale certificate was issued and registered in February 2011.

The guarantors challenged the recovery proceedings before the Debts Recovery Appellate Tribunal (DRAT), which upheld the validity of the auction. When the matter reached the Madras High Court, the Court affirmed the legality of the mortgage, the bank’s right to recover its dues, and the validity of the auction sale. However, it directed the DRT to reconsider the valuation of the properties and examine whether the assets had been sold for a value lower than their actual worth.

The Apex Court observed that while the rights of a bona fide auction purchaser ordinarily deserve protection, such protection is not absolute. It emphasised that where credible concerns arise regarding the adequacy of valuation or fixation of reserve price, courts may exercise supervisory jurisdiction to ensure that the secured asset fetches the best possible value. The Court noted that while there can be no quarrel with the settled proposition that the rights of a bona fide auction purchaser deserve due protection and that confirmed court sales should not ordinarily be interfered with, it is equally well established that such protection is not absolute. Where credible issues are raised regarding the adequacy of valuation or the fairness of the process leading to the fixation of the reserve price, the supervisory jurisdiction of the Court may be invoked to ensure that the recovery proceedings have been conducted in a manner that secures the best possible value of the property.

The Court noted that the purpose of an auction is to secure the most remunerative price through competitive bidding and ensure transparency in the sale process. Further, the High Court had not set aside the auction sale or questioned the purchaser’s participation. Instead, it had issued a limited direction for reconsideration of valuation by the DRT. Such a remand, the Court said, does not disturb the recovery already effected nor render the auction void. The Court observed that a limited remand by a higher court to a tribunal for the specific purpose of reconsidering valuation, without setting aside the entire auction, is a balanced exercise of

jurisdiction and is legally tenable. Therefore, the Supreme Court dismissed an appeal filed by an auction purchaser challenging a Madras High Court direction that remitted the issue of property valuation to the Debts Recovery Tribunal (DRT) in bank recovery proceedings, and held that the High Court did not err in remitting the matter to the DRT to re-examine the valuation of the properties.