If borrower obtains a loan from a bank for purchase of machinery from a supplier chosen by the borrower, the borrower's obligation to repay the loan to the bank arises from the borrower-lender contract and is not defeated by the supplier's alleged failure to supply the machinery, unless the bank had undertaken responsibility for such supply

The **Calcutta High Court** in the case of **Jayanti Karmakar vs General Manager [WPA 17153 of 2009] dated April 30, 2026**, has held that where a borrower obtains a loan from a bank for purchase of machinery from a supplier chosen by the borrower, the borrower's obligation to repay the loan to the bank arises from the borrower-lender contract and is not defeated by the supplier's alleged failure to supply the machinery, unless the bank had undertaken responsibility for such supply or acted in breach of a statutory or contractual obligation.

Further, the Court clarified that when the alleged non-supply is disputed and turns on contested facts such as delivery and authenticity of signature on challans, those issues cannot be adjudicated in writ jurisdiction under Article 226 and must be pursued through appropriate legal proceedings against the supplier.

The Court found that the loan of Rs. 4.39 lakhs had been sanctioned for setting up the rolling mill and that the machines were hypothecated to the Bank. It observed that the Bank was only a lender of the loan amount and had issued the cheque in favour of the supplier on the basis of the petitioner's own request and quotation. The Court noted that the petitioner had written to several authorities regarding non-supply but had not informed the private respondent no. 6 accordingly, while the delivery challan on record reflected her signature acknowledging receipt of the remaining machinery.

The Court held that the agreement was between borrower and lender, and that the Bank could not be made responsible for alleged non-supply of machinery by the supplier as per the quotation furnished by the petitioner. If the supplier had failed to deliver, the petitioner could take steps against the supplier in accordance with law, but could not avoid repayment of the loan and accrued interest on that basis.

The Court further observed that the real dispute was a commercial dispute between the petitioner and the private respondent supplier, and that the foundational issue whether the diesel oil engine had actually been supplied was a seriously disputed question of fact, especially because the respondents relied on a delivery challan allegedly signed by the petitioner while the petitioner alleged forgery.

The Court expressly found no arbitrariness or illegality in the Bank's actions, since the Bank had merely sanctioned and disbursed the loan in terms of the quotation and request furnished by the petitioner. It therefore, rejected the petitioner's contention that repayment liability should not arise because of the supplier's alleged default, holding that liability to repay a loan arises from the contract between borrower and lender and is not contingent on performance by a third party unless specifically provided otherwise.