**Harmonizing Legal Frameworks: Balancing the Interplay Between PMLA, SARFAESI Act, and Recovery of Debts Due to Banks Act**

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The Prevention of Money Laundering Act (PMLA) serves as a pivotal legal instrument in India's fight against financial crimes. It empowers enforcement authorities to attach properties suspected to be involved in money laundering activities. Thus, the main objective of this Act is to identify and confiscate the property in order to prevent it from being laundered further as referred in the matter of *Ahmed Mohamed Hasanfatta vs. ED, Ahmedabad*, **2019 SCC ONLINE AT PMLA 37**. While, the SARFAESI Act empowers banks and financial institutions to expedite the recovery of non-performing assets (NPAs) by enforcing security interests without resorting to cumbersome legal proceedings. Similarly, the RDDBFI Act provides a specialized mechanism for the expeditious recovery of debts owed to banks and financial institutions, facilitating the resolution of distressed assets through quasi-judicial forums such as Debt Recovery Tribunals (DRTs). Together, these statutes underpin the framework for efficient debt recovery, vital for maintaining financial stability and fostering a conducive lending environment.

However, the attachment of properties mortgaged with public sector banks under the PMLA has raised complex legal questions and elicited debates regarding its impact on various stakeholders.

The interplay of the statues have been dealt by the Hon’ble Delhi High Court in the matter of *The Deputy Director, Directorate of Enforcement, Delhi vs Axis Bank and Ors.*, **Crl A. 143/2018** wherein it was held that both the actions for enforcement of security interest by a secured creditor and actions under PMLA are in accordance with law and in order to co-exist and be in harmony with each other, following the preceding prescription that the creditor has initiated action, it would be appropriate that the PMLA attachment, though remaining valid and operative, takes a back-seat allowing the secured creditor, a bonafide third party claimant to enforce its claim by disposal of the subject property, the remainder of its value, if any, thereafter to be made available for purposes of PMLA. The Hon’ble Division Bench of High Court of Judicature at Patna in the matter of *HDFC Bank Ltd vs GOI,* **Criminal Writ Jurisdiction case No. 2398 of 2017** has held that: ***Para 6…****under Section 5 of the PMLA, 2002 only “proceeds of crime” can be provisionally attached if the authority has reason to believe that the property is “proceeds of the crime”. Such “reason to believe” presupposes material in the possession of the authority concerned for such belief and the reason is to be recorded in writing.* The Hon’ble High Court placed reliance on Section 31B of Recovery of Debts and Bankruptcy Act, 1993, and Section 26-E of the SARFAESI Act and thus upheld that the conjoint reading of the aforesaid provisions of SARFAESI Act and Bankruptcy Law makes it clear that the secured creditors have preferential right of realization of their dues against all other debts and government dues. Attachment of the “proceeds of crime” under Section 5 of the PML Act is not an exercise for recovery of government dues of any nature; rather it is an exercise to seize /confiscate the property acquired by unlawful means of money laundering. Therefore, both the laws SARFAESI and Bankruptcy Act on the one hand; and PML Act on the other; operates in two different field.

Thus, the attachment on the basis of presumption and ‘reason to believe’ can have huge ramifications on the economic stability. Public sector banks, serve as the backbone of India's financial system, may face increased risks and liabilities due to the immobilization of collateral. This, in turn, can hamper their lending activities, thereby constraining credit flow to productive sectors of the economy. Additionally, the uncertainty created by such actions may deter potential investors, both domestic and foreign, leading to a slowdown in economic growth and development.

To conclude it is hereby stated that harmonization of legal frameworks governing debt recovery and anti-money laundering efforts is indispensable for fostering a robust and equitable financial ecosystem. By balancing the objectives of the PMLA, SARFAESI Act, and RDDBFI Act, India can strike a harmonious equilibrium between debt resolution, financial stability, and the deterrence of financial crimes. Through clear legal interpretations, judicial guidance, and stakeholder engagement, the nation can navigate the complex interplay of statutes, ensuring coherence, consistency, and efficacy in its legal framework.

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