



GOVERNMENT OF KERALA

SC3/91/2025-Home
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Dated: 06-03-2026

CIRCULAR

Sub: Banning of Unregulated Deposit Schemes Act, 2019 (BUDS Act, 2019) – Guidelines regarding priority of attachment proceedings under Section 13, priority for refund of money to depositors, legal protection to bank officials acting on court orders, and statutory obligations of banks –reg

Ref: 1) Banning of Unregulated Deposit Schemes Act, 2019.
2) Order dated 21.07.2025 in Crl. Appeal No. 477/2025 of the Hon'ble High Court

The government have noticed that, during attachment proceedings initiated by the Competent Authority under the provisions of the BUDS Act, certain banks, despite clear orders issued by the Designated Court, are delaying or refusing the transfer of attached amounts on technical or procedural grounds. This conduct is adversely affecting the timely refund of money to depositors.

As per Section 13 of the Banning of Unregulated Deposit Schemes Act, 2019, save as otherwise provided under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (54 of 2002) or the Insolvency and Bankruptcy Code, 2016 (31

of 2016), any order of provisional attachment passed by the Competent Authority under the BUDS Act shall, to the extent of the claims of the depositors, have precedence and priority over any other attachment effected by any authority competent to attach property for the recovery of debts, revenues, taxes, cesses, or other rates payable to the appropriate Government or local authority.

The principal objective of all proceedings under the BUDS Act, 2019 is the refund of money to depositors. Accordingly, the amounts attached under Section 13 shall be accorded first charge and priority for lawful distribution to depositors.

Consequently, by virtue of the preferential provisions contained in Section 13 of the Act, due credibility and protection are conferred upon banks and other financial institutions in attachment proceedings initiated under the BUDS Act.

Where court orders are in force, the transfer of amounts attached under Section 13 of the BUDS Act, as directed by the Competent Authority / Court, shall be treated as a statutory obligation of the concerned banks.

In the present circumstances, the order of the Hon'ble Court operates as a binding legal mandate upon the bank to transfer the amount, leaving no scope for delay arising from any reluctance or inaction on the part of the bank.

In cases where banks or concerned officials refuse to transfer the attached amounts or cause unnecessary delay in compliance with court orders, the Competent Authority shall be empowered to initiate appropriate action against the officials concerned.

These instructions shall apply to all Nationalised Banks, Private Sector

Banks, Co-operative Banks, and other financial institutions operating in the State.

Forwarded / By order,

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Section Officer.

To:

Advocate General, Kerala

State Police Chief

All District Collectors

Registrar of Co-operative Societies

Convener, State Level Bankers' Committee (SLBC)

All Lead Bank Managers (*Through Convener, SLBC*)

Director of Treasuries, Kerala

State Co-operative Bank

General Managers of KSFE/District Managers of KFC etc (through the District Collectors)

All Nationalised / Private / Co-operative Banks (through District Collectors)

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