



Section 31 B of the RDB Act being a substantive provision giving priority to the “secured creditors”, the same will be applicable irrespective of the procedure through which the recovery is sought to be made (Gujarat Value Added Tax 2003)

While it is true that the Bank has taken over the possession of the assets of the defaulter under the [sarfaesi](#) Act and not under the RDB Act, Section 31 B of the RDB Act being a substantive provision giving priority to the “secured creditors”, the same [will](#) be applicable irrespective of the procedure through which the recovery is sought to be made. This is particularly because Section 2(la) of the RDB Act defines the phrase “secured creditors” to have the same meaning as assigned to it under the SARFAESI Act. Moreover, Section 37 of the SARFAESI Act clearly provides that the provisions of the SARFAESI Act shall be in addition to, and not in derogation of inter-alia the RDB Act. As such, the SARFAESI Act was enacted only with the intention of allowing faster recovery of debts to the secured creditors without intervention of the court. This is apparent from the Statement of Objects and [reasons](#) of the SARFAESI Act. Thus, an interpretation that, while secured creditors will have priority in case they proceed under the RDB Act they will not have such priority if they proceed under the SARFAESI Act, will lead to an absurd situation and, in fact, would frustrate the object of the SARFAESI Act which is to enable fast recovery to the secured creditors.

Kalapur Commercial Co-operative Bank Ltd. Vs. State of Gujarat., Civil Application No.17891 of 2018

Tags: [Gujarat VAT 2003](#), [RDDDB S. 2\(la\)](#), [RDDDB S. 31-B](#), [Sarfaesi and Tax Act](#), [Sarfaesi S. 37](#)