IN THE HIGH COURT OF MADHYA PRADESH AT JABALPUR

BEFORE

HON'BLE SHRI JUSTICE HIMANSHU JOSHI

ON THE 27th OF JULY, 2026

WRIT PETITION No. 29117 of 2026

ARCHANA

Versus

THE STATE OF MADHYA PRADESH AND OTHERS

Appearance:

Shri Aishwarya Sahu - Advocate for the petitioner.

Shri Nilesh Yadav - Addl. Advocate General with Smt. Priyanka Mishra - Govt. Advocate for respondent/State.

Reserved on : 23.07.2026

Pronounced on : 27.07.2026

ORDER

The present writ petition under Article 226 of the constitution of India raises an issue of recurring importance concerning freezing of bank accounts pursuant to complaints registered on the National Cyber Crime Reporting Portal (NCRP) and the Cyber Fraud Complaint and Financial Fraud Risk Management System (CFCFRMS). The petitioner challenges the freezing of its current account bearing No. 40884671496 maintained with respondent No.2 Bank on the basis of a notice issued under Section 106 of the Bharatiya Nagarik Suraksha Sanhita, 2023 (BNSS) by the respondent No. 3, despite the alleged disputed transaction being only Rs. 980/- whereas the account contains more than Rs. 2,51,72,192.57/-.

2. The facts of the case are that the petitioner is engaged in the business of

sale of liquor and is the license holder for operating seven composite liquor shops in District Narmadapuram (Hoshangabad). For the purpose of carrying on the said business, the petitioner maintains a current account bearing No. 40884671496 with respondent No.2 Bank, through which transactions relating to all seven licensed shops are undertaken. According to the petitioner, in the month of April, 2026, the operation of the aforesaid current account was abruptly stopped by respondent No.2 Bank without assigning any reason or issuing any prior notice. On making enquiries, the petitioner was initially not informed about the reason for freezing of the account. Consequently, the petitioner submitted an application dated 17.07.2026 seeking information regarding the action taken by the Bank. In response thereto, respondent No.2 informed the petitioner that the operation of the account had been stopped pursuant to a notice dated 10.04.2026 issued by respondent No.3 under Section 106 of the Bharatiya Nagarik Suraksha Sanhita, 2023 (BNSS).

3. Thereafter, the petitioner submitted a representation dated 18.07.2026 before respondent No.3 requesting release of the account. It was specifically stated that the allegedly suspicious transaction reflected in the notice was only Rs. 980/-, whereas the balance lying in the account exceeded Rs. 2,51,72,192.57/-. The petitioner further requested that, if considered necessary, only the amount of Rs. 980/- may be kept under lien and the remaining account be permitted to be operated. It is the petitioner's case that the current account is the principal operating account for all seven composite liquor shops and is used for depositing licence fees and making payments to

the Excise Department towards procurement and supply of liquor. According to the petitioner, continued freezing of the entire account has brought the business operations to a standstill and has exposed the petitioner to the risk of default in complying with statutory and contractual obligations.

4. The grievance of the petitioner is that despite submission of the aforesaid representation, respondent No.3 has not taken any decision thereon and the entire account continues to remain frozen, though the alleged suspicious amount is only Rs. 980/-. Aggrieved thereby, the petitioner has filed the present writ petition seeking a direction to respondent Nos.2 and 3 to de-freeze the current account by retaining lien, if necessary, only over the disputed amount and to permit operation of the remaining funds available in the account.

5. Learned counsel for the petitioner submits that the action of respondent Nos.2 and 3 in freezing the petitioner's current account is arbitrary, illegal and contrary to the provisions of law. It is contended that the account has been frozen without issuance of any notice to the petitioner and without affording any opportunity of hearing, thereby causing serious prejudice to the petitioner's business. It is further submitted that the petitioner's current account has been frozen pursuant to a notice issued under Section 106 of the Bharatiya Nagarik Suraksha Sanhita, 2023. According to the petitioner, the alleged suspicious transaction involved is only Rs. 980/-, whereas the entire account containing a balance of more than Rs. 2,51,72,192.57/- has been frozen. It is argued that freezing of the entire account, instead of placing a lien only on the disputed amount, is wholly disproportionate and violative of

the settled principles governing exercise of such power.

6 . Learned counsel submits that the petitioner is a licensed liquor contractor operating seven composite liquor shops in District Narmadapuram and the current account in question is the principal business account through which all commercial transactions are undertaken, including payment of licence fees and remittances to the Excise Department. Owing to the freezing of the account, the petitioner's business activities have come to a standstill, causing grave financial hardship and exposing the petitioner to the risk of default in statutory obligations. It is further submitted that immediately after learning that the account had been frozen pursuant to the notice issued by respondent No.3, the petitioner submitted a detailed representation dated 18.07.2026, requesting release of the account while permitting respondent No.3 to retain a lien over the alleged suspicious amount of Rs. 980/-. However, no decision has been taken on the said representation.

7. Learned counsel further submits that it is a settled position of law that where the allegedly tainted amount is specifically identifiable, the investigating agency ought not to freeze the entire bank account containing substantial legitimate funds and should instead secure only the disputed amount, unless the facts of the case warrant a broader restraint. It is contended that continuation of the freeze over the entire account is arbitrary, disproportionate and violative of Articles 14, 19(1)(g) and 300-A of the Constitution of India.

8. On the aforesaid grounds, learned counsel prays that respondent Nos.2 and 3 be directed to de-freeze the petitioner's current account forthwith by

retaining lien, if necessary, only over the alleged suspicious amount of Rs. 980/-, and to permit operation of the remaining balance in accordance with law. He has placed reliance upon Supreme Court decision rendered in the cases of **Malabar Gold and Diamond Limited and Others vs. Union of India and Others** (2026 SCC OnLine Del 297), decision of Allahabad High Court (Lucknow) in the case of **Khalsa Medical Store Prop. Yashwant Singh vs. Reserve Bank of India Through Governor And 3 Ors. (Writ (C) No.12211/2025)**, decisions rendered by this Court in **Sajida Bi and Ors. Vs. State of M.P. and Ors (W.P. No.314/2025)** , **Sajida Bi And Others vs. STate of M.P. thr. Principal Secretary and Ors. (W.P. No.31428/2025)**.

9. Per contra, learned Additional Advocate General appearing on behalf of respondent No.1 submits that he represents only respondent No.1. It is submitted that the impugned action has been taken pursuant to information relating to a suspected cyber fraud, which has been reported before respondent No.3 at Himachal Pradesh for whom no one is appearing and notice may be required. Learned Additional Advocate General further submits that the mere fact that the allegedly suspicious transaction is of a meager amount of Rs.980/- cannot, by itself, be a ground for directing de-freezing of the petitioner's bank account. It is contended that the menace of cyber fraud has witnessed a significant rise in recent times and the investigating agencies are required to take prompt and effective measures to preserve the proceeds of crime and to ensure that the investigation is not frustrated.

10. Heard and peruse the material available on record.

11. While dictating the present order, this Court has come across the Standard Operating Procedure dated 10.04.2026 issued by the Ministry of Home Affairs, Government of India, governing the Grievance Redressal Mechanism in respect of bank accounts put on hold through the NCRP-CFCFRMS. The SOP prescribes a structured procedure, along with specific timelines and responsibilities for Banks, Investigating Officers, District Grievance Redressal Officers and Law Enforcement Agencies to ensure prompt consideration of grievances arising out of freezing of bank accounts in cyber crime cases.

12. The issue involved in the present petition is not confined to the petitioner alone. Numerous account holders across the country face freezing of entire bank accounts even where the allegedly suspicious amount constitutes only a small fraction of the balance. Simultaneously, law enforcement agencies are duty bound to preserve proceeds of cyber crime and ensure effective investigation. Therefore, a balance has to be maintained between the constitutional right of a citizen to carry on business under Article 19(1)(g), the right to property under Article 300-A, and the statutory powers of investigation.

13. The various High Courts have repeatedly held that while police authorities possess the power to prohibit operation of bank accounts during investigation, such power is required to be exercised reasonably, proportionately and only to the extent necessary for securing the suspected proceeds of crime. Freezing of an entire account containing legitimate funds merely because a negligible amount is suspected requires careful scrutiny

and must satisfy the test of proportionality. The SOP dated 10.04.2026 itself recognizes the need for an effective grievance redressal mechanism and provides strict timelines for examination of complaints seeking release of bank accounts.

14. This Court observes that, under the SOP dated 10.04.2026, the Bank acts as the first point of contact and the primary facilitator for an account holder whose account has been put on hold through the NCRP-CFCFRMS mechanism. Therefore, the Bank shall not evade its responsibility by merely directing the customer to approach the Investigating Agency or any other authority. The Bank shall promptly provide the account holder with complete information regarding the available grievance redressal mechanism and shall assist in initiating the grievance process in accordance with the SOP. It has been noticed that, in several cases, account holders are required to approach the police authorities directly, and thereafter are advised to seek appropriate orders from the Court for de-freezing of the account, despite the existence of a specific statutory and administrative grievance redressal mechanism. Such an approach defeats the very purpose of the SOP and causes unnecessary hardship to account holders. The Banks, being an integral part of the NCRP-CFCFRMS framework, are required to discharge their obligations responsibly and ensure that grievances are processed through the prescribed mechanism before directing the account holder to seek judicial intervention.

15. In order to ensure uniform implementation of the SOP and to protect both investigation and legitimate banking operations, this Court considers it appropriate to frame the following guidelines which shall govern cases relating to freezing of bank accounts pursuant to cyber crime complaints, until appropriate statutory rules or executive instructions are framed. Since this Court is presently proceeding only to lay down general guidelines governing such cases and no adverse order affecting the rights or interests of respondent Nos.2 and 3 is being passed, no prejudice is likely to be caused to them. Accordingly, this Court does not consider it necessary to issue notice to respondent Nos.2 and 3 before framing the said guidelines.

(I) Upon receipt of a complaint relating to cyber fraud, if the Investigating Agency considers it necessary to secure the suspected proceeds of crime, it shall, as far as practicable, identify the disputed amount and direct the Bank to place a lien or debit freeze only to the extent of such amount. Although the police possess the power to prohibit the operation of bank accounts during investigation, such power must be exercised reasonably, fairly and in accordance with the doctrine of proportionality, and only to the extent necessary for securing the suspected proceeds of crime. Freezing of the entire bank account shall be resorted to only in exceptional circumstances where the Investigating Officer, for reasons to be recorded in writing, is satisfied that a lien or partial freeze would not adequately safeguard the investigation. Ordinarily, where the disputed amount can be sufficiently secured by placing a lien or debit freeze, the Investigating Agency shall refrain from directing the freezing of the entire account, as such action unnecessarily impedes lawful financial transactions and may cause serious prejudice to the personal, professional and business activities of the account holder.

(II). The Investigating Officer shall forthwith inform the concerned Magistrate regarding the seizure/freezing of the bank account in accordance with law. The expression "forthwith" shall be construed to mean "as soon as reasonably possible", requiring the Investigating Officer to communicate such information without unnecessary delay and within a reasonable time having regard to the circumstances of the case. The intimation shall not be postponed for any avoidable reason and shall ensure effective judicial oversight over the exercise of such power.

(III). Upon receiving instructions from any law enforcement agency for freezing or placing a hold on an account, the bank shall immediately preserve the account in accordance with law. The bank shall maintain complete electronic records showing:

(a) date and time of receipt of instructions;

(b) authority issuing the instructions;

(c) NCRP complaint number;

(d) FIR, if any;

(e) amount directed to be held.

(IV). Wherever the investigating agency has identified only a specific suspected amount, the bank should, as far as practicable and unless specifically directed otherwise by a competent authority or Court, place lien or debit freeze only to the extent of the suspected amount instead of freezing the entire account.

(V). Where a bank account is frozen, the concerned Bank shall, without undue delay, inform the account holder of the fact of such freezing, the authority under whose directions the action has been taken, and the available grievance mechanism unless such disclosure is expressly prohibited by law or is likely to seriously prejudice the investigation.

(VI). Immediately upon learning of the freezing, the account holder may submit a grievance before the concerned bank branch together with:

(a) identity proof;

(b) KYC documents;

(c) explanation regarding the disputed transaction;

(d) supporting documents showing source of funds;

(e) business records, invoices, GST records, income tax records or any other relevant documents.

The account holder shall furnish all documents honestly and shall not destroy, conceal or alter electronic records.

(VII). The account holder shall cooperate with the Bank in the process of Customer Due Diligence (CDD), including verification of identity, KYC particulars and ownership of the account, and Enhanced Due Diligence (EDD), wherever required, by furnishing documents and information relating to the source of funds, nature of transactions, purpose of the account, and any other material necessary for verification of the legitimacy of the transactions under investigation.

(VIII). Upon receipt of a grievance, the bank shall:

(a) conduct CDD and EDD;

(b) examine documents;

(c) upload the grievance on the CFCFRMS portal within seven calendar days.

(IX). Banks shall nominate grievance officers at branch, State and central levels in accordance with the SOP.

(X). Banks shall not insist upon unnecessary documentation beyond regulatory requirements.

(XI). The Investigating Officer shall promptly examine every grievance uploaded on the portal. Verification shall ordinarily be conducted through electronic means or video conferencing. Wherever feasible, the account holder shall participate in verification through video conferencing. Personal appearance before the Investigating Officer shall ordinarily not be insisted upon unless:

(a) an FIR/e-FIR has been registered;

(b) such appearance is indispensable for investigation; and

(c) reasons are recorded.

(XII). The Investigating Officer shall assess:

(a) source of funds;

(b) nature of business;

(c) banking pattern;

(d) nexus between the disputed transaction and alleged offence.

(XIII). Wherever the disputed amount is clearly identifiable, the Investigating Officer shall consider whether preservation of only such amount would sufficiently protect the investigation instead of continuing a freeze on the entire account.

(XIV). A reasoned decision shall be passed within fifteen calendar days.

(XV). If the grievance is accepted, release instructions shall immediately be issued electronically to the concerned bank.

(XVI). The bank shall comply with release instructions issued by the Investigating Officer or competent authority immediately. preferably within forty-eight hours and update the CFCFRMS portal.

(XVII). Every communication received from law enforcement shall be digitally preserved. Banks shall maintain an audit trail of every debit freeze, lien, release and modification.

(XVIII). If grievance is rejected, detailed reasons shall be recorded on the portal.

(XIX). Mere suspicion without supporting material shall not justify indefinite continuation of freezing. If continuation of freezing is necessary, the Investigating Officer shall periodically review whether such continuation remains proportionate.

(XX). The Investigating Officer shall avoid unnecessary disruption of legitimate business activities where the objectives of investigation can be achieved through less restrictive measures.

(XXI). If the account holder is dissatisfied with the decision of the Investigating Officer, the account holder may seek review before the District Grievance Redressal Officer through the designated bank branch within the period prescribed in the SOP.

(XXII). The District Grievance Redressal Officer shall independently examine:

(a) the grievance;

(b) documents;

(c) reasons recorded by the Investigating Officer.

(XXIII). The officer may seek additional information from:

(a) the bank;

(b) the complainant;

(c) the Investigating Officer.

(XIV). A reasoned decision shall be uploaded within fifteen days. The District Grievance Redressal Officer shall ensure strict adherence to the timelines prescribed in the SOP.

(XV). Every grievance remaining undecided beyond fifteen days before the investigating officer or Bank shall automatically stand escalated to District Grievance Redressal Officer appointed under the SOP.

(XVI). Where a grievance challenging the freezing or hold of a bank account remains unresolved for a period of 90 days from the date of its registration by the Bank, and no lawful direction for continuation of the hold has been received from the competent Law Enforcement Agency or any Court, the Bank shall, upon the request of the account holder and after complying with the requirements of the SOP, release the hold on the account. However, before releasing the hold, the Bank shall give at least fifteen days' prior intimation to the concerned Investigating Agency/Law Enforcement Agency, and if no valid objection, court order, or request for extension of the hold is received within the said period, the Bank shall proceed to remove the hold in accordance with law.

(XVII). Where an FIR has been registered and the account holder has been arrayed as an accused in the said case, and the Investigating Agency, after due consideration, does not find it appropriate to release or de-freeze the bank account and communicates such decision in writing to the concerned Bank, the account holder shall be at liberty to approach the competent Magistrate having jurisdiction over the concerned police station by filing an appropriate application seeking necessary relief. Any further remedy, if available in law, may thereafter be pursued before the High Court having appropriate jurisdiction in accordance with law.

(XVIII). A writ petition seeking de-freezing or release of a bank account ordinarily may be entertained by this Court after expiry of the period of 90 days prescribed under the SOP dated 10.04.2026, particularly where the Grievance Redressal Mechanism provided therein has not resulted in any effective resolution. However, this shall not operate as an absolute bar, and this Court may exercise its jurisdiction before expiry of the said period in exceptional circumstances warranting immediate intervention, depending upon the facts and circumstances of each case. Such exceptional situations are not being exhaustively enumerated herein.

16. This Court further observes that freezing of a bank account is an extraordinary measure and cannot be resorted to mechanically or as a matter of routine. The Investigating Agency shall distinguish between the alleged proceeds of crime and legitimate funds lying in the account and shall ensure that only such restraint as is necessary for the purposes of investigation is imposed. Any order directing freezing of a bank account must be supported by brief reasons so as to enable effective judicial scrutiny, wherever required.

17. The Standard Operating Procedure dated 10.04.2026 issued by the Ministry of Home Affairs prescribes a time-bound grievance redressal mechanism, requiring the Bank to upload the grievance within seven days, the Investigating Officer to decide the grievance within fifteen days, automatic escalation thereafter to the District Grievance Redressal Officer, who shall decide the review within fifteen days, and the Bank to implement release directions forthwith, preferably within forty-eight hours. All concerned authorities shall scrupulously adhere to the timelines prescribed in the SOP. This Court clarifies that the timelines stipulated therein represent the outer limits for completion of the respective actions and shall not be treated as the ordinary period available to the authorities. Every endeavour shall be made by the Bank, the Investigating Officer, the District Grievance Redressal Officer and all other concerned authorities to act with utmost promptitude and to complete the process at the earliest possible opportunity, without waiting for the expiry of the prescribed outer limit, unless prevented by exceptional circumstances to be recorded in writing.

18. Having regard to the facts of the present case, it is not disputed that the alleged suspicious transaction is stated to be only Rs. 980/-; the account balance exceeds Rs. 2,51,72,192.57/-; the petitioner is carrying on business through the said current account; and representation dated 18.07.2026 has already been submitted. Accordingly, respondent No.3 shall examine the petitioner's representation strictly in accordance with the SOP dated

10.04.2026 and the guidelines framed herein. If upon verification the Investigating Officer finds that preservation of only the disputed amount is sufficient for the purposes of investigation, appropriate directions shall be issued to respondent No.2 Bank to release the remaining balance while retaining lien over the disputed amount or such amount as may be found necessary in accordance with law. Needless to observe, if the Investigating Officer proposes to continue freezing of the entire account, a reasoned order shall be passed indicating the necessity for such continuation.

19. The writ petition is disposed of in the above terms. The guidelines framed herein shall be followed by all Banks, Investigating Officers and Grievance Redressal Authorities dealing with freezing of bank accounts pursuant to cyber crime complaints, subject to any contrary statutory provision, binding precedent of the Supreme Court, or subsequent executive instructions issued by the competent authority.

20. Respondent No.1 is directed to circulate a copy of this order to all banks, Police Stations, Cyber Crime Police Stations, investigating agencies, and all other concerned authorities within the State to ensure strict compliance with the guidelines contained herein.

(HIMANSHU JOSHI)
JUDGE

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