

TOPIC- PRINCIPLES OF NATURAL JUSTICE IN DEPARTMENTAL PROCEEDINGS

HISTORICAL EVOLUTION- For decades, Indian courts fluctuated between two conflicting ideas: a strict, uncompromising demand for a fair trial versus a more lenient "prejudice theory" that favored administrative efficiency.

The Old Approach (*State of Punjab v. Sodhi Sukhdev Singh*, 1961 AIR 493): Relying on colonial-era rules in the Indian Evidence Act, the Supreme Court originally allowed the state to withhold internal files under the umbrella of "privileged communications". This made it incredibly easy for departments to punish workers using evidence the worker was never allowed to see.

The Modern Turning Point (*SBI v. D.C. Aggarwal*, 1992 AIR 1197): The Court began dismantling this absolute power. It ruled that if a bank or department uses a Central Vigilance Commission (CVC) report to determine guilt or increase a penalty, it must share that report with the employee.

The Final Rule (*K. Prabhakar Hegde*, 2025): The Court finalized this trend by ruling that routine internal discipline has nothing to do with national security. Public bodies cannot claim privilege to hide behind-the-scenes consultation reports.

CASE DETAILS

Case Name- K. Prabhakar Hegde v. Bank of Baroda

Citations- 2025 INSC 997; 2025 Supreme (SC) 1219

Date of Judgment- August 19, 2025

Petitioner- K. Prabhakar Hegde

Respondent- Bank of Baroda

Bench- Division Bench of Hon'ble Dipankar Datta and Hon'ble Prashant Kumar Mishra JJ.

Civil Appeal No.- 6599 of 2025

FACTS OF THE CASE- The appellant, K. Prabhakar Hegde, joined Vijaya Bank in 1959 as a clerk and rose to the position of Zonal Head. In January 1999, the disciplinary authority served him notices alleging irregularities in approving temporary overdrafts (TOD). A formal charge sheet was issued in January 2001 under Regulation 6 of the Vijaya Bank Officer Employees' (Discipline and Appeal) Regulations, 1981.

The inquiry officer found the charges proved. Although the appellant was due to retire on June 30, 2002, the bank ordered the continuation of proceedings post-superannuation and withheld his retirement benefits. On July 4, 2002, the disciplinary authority imposed the punishment of dismissal from service, which the appellate authority upheld in 2003.

The appellant challenged the dismissal in the High Court. A Single Judge quashed the dismissal, but a Division Bench reversed this decision, holding that the non-furnishing of a preliminary inquiry report and the failure to question the appellant under Regulation 6(17) did not cause prejudice. The appellant then approached the Supreme Court.

ISSUES OF THE CASE-

(i) Whether denial of the report of preliminary inquiry prepared by the officer entrusted by Vijaya Bank to conduct such inquiry, who happened to be the sole management witness, was sufficient to vitiate the regular inquiry that followed against the appellant?

(ii) Whether the failure/omission of the Inquiry Officer to generally question the appellant on the circumstances appearing against him in the evidence, as per Regulation 6(17) of the 1981 Regulations, vitiated the inquiry?

(iii) Whether continuation of disciplinary proceedings against the appellant beyond superannuation was a permissible course of action under the 1981 Regulations?

ARGUMENTS OF THE PARTIES-

The Appellant contended that-

- The Division Bench failed to notice that the inquiry officer did not put a single question to the appellant to explain the adverse evidence, violating the mandatory second part of Regulation 6(17).
- The disciplinary authority altered the proposed punishment from compulsory retirement to dismissal based on a confidential Central Vigilance Commission (CVC) recommendation. Denying access to this document severely impaired the right to a fair defence.

The Respondents Contented that-

- The preliminary report was merely an internal mechanism to decide whether to initiate an inquiry and was not relied upon for the final findings.
- Regulation 6(17) was substantially complied with because the appellant was given an opportunity to make general submissions. Furthermore, the CVC recommendation was a privileged internal communication.

JUDGMENT AND RATIO DECIDENDI-

The Supreme Court set aside the High Court's order and quashed the dismissal. The ratio decidendi establishes that when an inquiry rule employs both "may" and "shall" sequentially, the latter part creates an unyielding statutory obligation. Under Regulation 6(17), an inquiry officer must generally question a delinquent employee who has not testified as a defense witness. Failure to do so renders any unexamined incriminating evidence legally unusable.

Additionally, the Court ruled that a disciplinary authority cannot rely on external, confidential materials like a CVC report to determine guilt or enhance punishment without first disclosing them to the employee. The Court also ruled that in the absence of an explicit enabling provision within the bank's 1981 regulations, management cannot legally create a fiction that a retired individual is 'deemed in service' just to execute a dismissal order.

IMPORTANT OBSERVATIONS

The judgment serves as an encyclopedic review of natural justice principles:

Audi Alteram Partem & Notice: The Court emphasized that a fair hearing requires sharing all material evidence. Denying access to the CVC report invalidated the final stage of the hearing.

The Reality of Institutional Bias: The Court observed a critical structural difference between regular court trials and internal workplace inquiries. In a criminal trial, an independent, neutral judge decides the case. In a departmental inquiry, the inquiry officer is an employee of the very organization bringing the charges. Because of this lack of built-in neutrality, courts must strictly police procedural rules to protect the worker from structural bias.

Reasoned Decisions & Privilege: The Court rejected the bank's claim of privilege, observing that internal employment files do not involve national security or "affairs of the State". Hidden, unreasoned shifts in punishment violate equal protection.

Erosion of Prejudice: Relying on S.L. Kapoor¹, the Court ruled that violating natural justice is a standalone constitutional injury under Article 14. An employee does not need to prove separate prejudice when a mandatory safeguard is breached.

CONCLUSION AND SIGNIFICANCE FOR LAWYERS-

This judgment serves as a vital shield in service law, especially when senior officials use their absolute power to target an employee. It proves that major institutions, public sectors, and government departments cannot hide behind a wall of secrecy or make up rules as they go. By tossing out the dismissal, the court made it clear that management must follow proper procedures, no matter how much power they have.

For lawyers fighting departmental actions, this case provides a clear roadmap to stop employers from abusing their power. If an inquiry officer cuts corners by failing to ask an employee to answer specific evidence, or if the bosses use a hidden internal report to increase a penalty behind closed doors, the entire termination falls apart. It stops employers from using the old excuse that 'the procedural error did not affect the final outcome', making fair play an absolute requirement in every workplace investigation.

¹ S.L Kapoor v. Jagmohan (1980) 4 SCC 379