

GOVT. OF NATIONAL CAPITAL TERRITORY DELHI
IN THE COURT OF THE REGISTRAR COOPERATIVE SOCIETIES
OLD COURT BUILDING, PARLIAMENT STREET, NEW DELHI-110001

F.No.47/ AR/BKG/RCS/143/2024/3063 - 67

Dated: 3/9/26

Order

This order disposes of the proceedings initiated under Rule 20 of the Delhi Cooperative Societies Rules, 2007 pursuant to the Show Cause Notice dated 27.06.2025 issued to Sh. Parshuram Gupta for determination of whether he has incurred disqualification for continuation of membership of Delhi Cooperative Urban Thrift & Credit Society Ltd.

Brief facts of the case

Whereas a complaint has been received from Sh. Manish Kumar Gupta against Sh. Purshuram Gupta that he is continuing as the CEO of Delhi Cooperative Urban T/C Society Ltd even after sentencing of 07 (Seven) years and fine of INR 1.00.000/- by CBI Court vide order dated 03.12.2013.

Whereas. Sh. O.P. Gupta. Secretary of The Delhi Cooperative Urban T/C Society Ltd. Vide his letter dated 09.01.2014 intimated this office that in its meeting held on 05.01.2014 considered all aspects of the reply sent by Sh. Parshuram Gupta and unanimously decided that this is a case which falls under the category of (Govt. Employees conduct rule and as such he has been suspended from the services w.e.f. 03.12.2013 and also decided that for further course of action Assistant Registrar (Banking), Cooperative Societies, Parliament Street. New Delhi may be requested.

Accordingly, Sh. R.S. Krishnan (Deputy Secretary). O/o Chief Secretary was appointed as Inquiry Officer to conduct an inquiry u/s 61 of the DCS Act, 2003 on the complaint of Sh. Manish Kumar Gupta.

Whereas, Sh. R.S. Krishnan (Deputy Secretary), O/o Chief Secretary in his report dated 15.09.2023 has concluded that "The appropriate penalty in this case would be removal from service, The membership of Sh. Parshuram Gupta has ceased in accordance to Rule 20, The then managing committee has not acted in accordance with CCS (CCA) Rules, 1965 and on the recovery of the entire remuneration earned by him while illegally holding the post of CEO or any other post with a different name & enquiry of all managing committees responsible for appointment of CEO as well as his promotion, despite having clear knowledge of his conviction and illegal activities shall be taken by the Inquiry Officer appointed under Section 62 of the Act"



Whereas, vide order dated 25.01.2024, Sh. Vijender Kumar, Jt. Secretary (H&FW) was appointed as Inquiry Officer to conduct an inquiry u/s 62 of the DCS Act, 2003 in this matter.

Whereas, Sh. Vijender Kumar, Jt. Secretary (11&FW)/Inquiry Officer submitted its inquiry report vide letter dated 30.08.2024 which was accepted by the competent authority as it was ambiguous and is not clear in its findings on the issues raised by the complainant.

Whereas, vide this department order dated 25.10.2024, Sh. G.P. Singh, DANICS was appointed as Inquiry Officer in terms of Section 62 of the DCS Act, 2003.

Whereas, Sh. G.P. Singh, DANICS vide letter dated 04.02.2025 submitted in his report that

- 1) The membership of Respondent No. 1 in Respondent No. 2/Society can only be decided by the Ld. RCS in terms of the provision of Rule 20 of 2007 Rules.*
- 2) Respondent No. 1 has already been imposed a punishment of demotion in rank and pay by the Society and no further directions are required to be given to the Society at this stage.*
- 3) CCS (CCA) Rules 1965 are not applicable in the case of employment in a co-operative society.*

Whereas Rule 20(2) of DCS Rules states that -

"Notwithstanding anything contained in the rules or the bye-laws of the co-operative society, if a person becomes, or has already become a member, subject to any disqualification specified in sub-rule (1), he shall cease to be a member from the date when the disqualifications were incurred. However, before disqualifying a member, the Registrar shall give an opportunity of personal hearing to the concerned member and the society"

Since Rule 20(2) mandates that before declaring cessation of membership an opportunity of hearing must be afforded to both the member and the Society, Show Cause Notice dated 27.06.2025 was issued and both parties were heard.

During the course of hearing, it was also brought to the notice of this Authority that proceedings arising out of the same controversy had been adjudicated by the Hon'ble High Court of Delhi in W.P.(C.) No.17122/2022.

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Prayer of the petitioner, Sh. Manish Kr. Gupta, in the Hon'ble High Court vide W.P.(C.) No.17122/2022

- a) Issue a writ in nature of Mandamus or other appropriate writ framing appropriate rules to ensure that person of tainted antecedents are not appointed in management of Cooperative Societies or officers /employees of Cooperative Societies;
- b) Issue a writ in nature of Mandamus or other appropriate writ framing appropriate rules to present Rule/Guidelines are amended to check appointment of tainted person in managerial positions in Thrift/Banking Cooperative Societies;
- c) issue a writ of Mandamus or other appropriate writ declaring that Respondent No. 4 is not entitled to be appointed as any office bearer in Respondent No. 3; and
- d) issue a Writ of Declaration or an appropriate writ of any other nature directing the appointment of the Respondent No. 4 as illegal;
- e) issue a writ of Mandamus or other appropriate writ directing the Respondent No. 2 to consider the representation dated 18.08.2022 by the Petitioner and form appropriate Rules;
- f) issue a Writ of Declaration or an appropriate writ of any other nature or directing that appropriate action be taking against the Respondent No. 3 for appointing a person with tainted antecedents as Chief Executive Officer;
- g) Pass any other as it may deem fit."

Judgment of the Hon'ble High Court dated 10.04.2026 vide W.P.(C.) No.17122/2022 & CM APPL. 69835/2025

Operative Para as under:

"9. In the opinion of this Court, since Respondent No. 4 has already demitted office, the lis against Respondent No. 4/Respondent No. 3 will no longer survive. The only issue that remains is whether a person with tainted antecedents can be appointed as a CEO in this manner, or in any other managerial capacity."

10. The prayer in the present petition is for the GNCTD to frame appropriate rules/guidelines for co-operative societies, so that such persons with tainted antecedents ought not to be permitted to serve, especially, in thrift/banking co-operatives Societies. In this regard, by way of example, reliance is placed by the Petitioner upon Rule 83 of the UP Co-operative Societies Employee Service Regulations, 1975 which reads as under:

"83 (i) An employee arrested for debt or on a criminal charge shall be placed under suspension from the date of his arrest:



Provided that if he is released on bail or on recognizance, he may with the approval of the Registrar, be permitted to resume and continue on duty until charges are framed against him by the trying court:

Provided further that his duties may be varied if continuance on original duty be inexpedient or prejudicial to the interest of the society in the opinion of the Registrar or the appointing authority.

(ii) An employee who is convicted of a criminal charge involving moral turpitude by a Criminal Court shall be liable to dismissal.

Explanation.- "Conviction" means sentence of punishment, fine or both."

11. In addition, reliance is also placed upon Section 10 of the Banking Regulation Act 1949 which reads as under:

"[10. Prohibition of employment of managing agents and restrictions on certain forms of employment.-

(1) No banking company-

(a) shall employ or be managed by a managing agent; or

(b) shall employ or continue the employment of any person-

(i) who is, or at any time has been, adjudicated insolvent, or or has suspended payment compounded with his creditors, or who is, or has been, convicted by a criminal court of an offence involving moral turpitude; or"

12. In the considered opinion of this Court, a person bearing tainted antecedents, particularly one culminating in a criminal conviction, in serious offences, ought not to be permitted to serve in managerial capacity in such co-operatives Societies. However, it is not for this Court to legislate or frame any provision in this regard.

13. The GNCTD ought to take cognizance of the aforesaid issue and initiate deliberations for framing of a provision in the Delhi Co-operative Societies Act, 2003 and Delhi Co-operative Societies Rules, 2007.

14. accordingly, it is directed that Chief Secretary, GNCTD shall initiate action for framing of appropriate rules/regulations under the Delhi Co-operative Societies Act, 2003 and Delhi Co-operative Societies Rules, 2007 to ensure that such persons with tainted criminal antecedents are not permitted to serve in the managerial capacity of Co-operative Societies.

15. Needless to add, in order to frame such rules/regulations, due consultation with all relevant stakeholders shall be undertaken and necessary deliberations shall be carried out.



16. Upon completion of the aforesaid stakeholder consultation, a final decision shall be taken and appropriate provisions shall be incorporated, either by way of a separate rule/regulation or by incorporating the same within the existing statutory framework under the Delhi Co-operative Societies Act, 2003 and Delhi Co-operative Societies Rules, 2007.

17. The entire process shall be completed before or by 30th September, 2026. In this regard, a compliance report shall be placed on behalf of Chief Secretary, GNCTD before this Court on 15th October, 2026.

18. The present petition is disposed of in these terms. All pending applications, if any, are also disposed of.

Respondent submission

1. The respondent submitted that he was convicted by the Learned Special Judge (CBI) on 03.12.2013 in a criminal case pertaining to Satyam Co-operative Group Housing Society Ltd. It was contended that he was not the primary member of the said society and was associated with it only in the capacity of a consultant. Therefore, according to him, the conviction was in his private capacity and had no nexus with his membership of Delhi Co-operative Urban Thrift & Credit Society Ltd.
2. It was submitted that the respondent became a member of Delhi Co-operative Urban Thrift & Credit Society Ltd. in the year 1986, nearly twenty-seven years prior to the conviction and throughout his membership no allegation, complaint, FIR, prosecution or conviction has ever arisen in relation to the affairs of the said Society.
3. The respondent contended that Rule 20 of the Delhi Cooperative Societies Rules, 2007 primarily prescribes eligibility conditions for admission as a member. According to him, Rule 20(1)(a) and (b) are applicable only at the stage of admission of membership, while Rule 20(1)(c) relates exclusively to membership of co-operative housing societies. It was argued that none of the provisions of Rule 20 contemplate cessation of membership of a thrift and credit society merely because of a conviction in an unrelated criminal case.
4. It was further argued that the conviction in the Satyam Co-operative Group Housing Society case cannot be imported into the affairs of Delhi Co-operative Urban Thrift & Credit Society Ltd., as the respondent was neither prosecuted nor convicted for any offence concerning the latter society. According to the respondent, Rule 20 can be invoked only where the alleged misconduct or conviction pertains to the society of which the person is a member.
5. The respondent relied upon Article 20(1) of the Constitution of India and submitted that he cannot be subjected to any additional penal consequences under the Delhi Cooperative Societies Act and Rules for an offence which does



not relate to his membership of Delhi Co-operative Urban Thrift & Credit Society Ltd. He further contended that the proposed action amounts to imposing an additional disability not contemplated by the statute.

6. It was further submitted that Section 118 of the Delhi Cooperative Societies Act, 2003 specifically deals with offences and penalties and merely debars a convicted person from contesting elections to the Managing Committee for the prescribed period. According to the respondent, the Act nowhere provides that a member shall automatically lose his membership upon conviction in a criminal case.
7. The respondent submitted that immediately after his conviction, the then Managing Committee suspended him from service and sought guidance from the Office of the Registrar. Thereafter, disciplinary proceedings were conducted under the Society's Service Rules and he was demoted from the post of Assistant Chief Executive Officer to Manager. It was argued that his employment matter stood concluded long ago and no action regarding his membership was either recommended or initiated at that stage.
8. It was further submitted that for more than eleven years after the conviction, neither the Society nor any member questioned his membership. The present complaint, according to the respondent, has been filed after an inordinate delay with mala fide intention and for personal reasons.
9. The respondent also submitted that Criminal Appeal No.95/2014 against the judgment of conviction is pending before the Hon'ble High Court of Delhi and that the sentence imposed upon him has been suspended during the pendency of the appeal. It was argued that in view of the pending appeal, no adverse conclusion should be drawn against him.
10. The respondent placed reliance upon Articles 20, 21 and 300A of the Constitution of India and contended that membership of a co-operative society constitutes a valuable civil right and property interest which cannot be taken away except by authority of law. According to him, no provision of the Delhi Cooperative Societies Act, 2003 or the Delhi Cooperative Societies Rules, 2007 authorizes cessation of his membership on the facts of the present case.
11. In support of his contentions, the respondent relied upon various judicial precedents, including *Rao Shiv Bahadur Singh v. State of Vindhya Pradesh* (AIR 1955 SC 446), *Ratan Lal v. State of Punjab* (AIR 1965 SC 444), and proposed to rely upon the judgment in *A.P. Narang v. CBI*, contending that the principles laid down therein support his plea that the proposed proceedings are legally unsustainable.
12. On the aforesaid grounds, the respondent prayed that the proceedings initiated under Rule 20 of the Delhi Cooperative Societies Rules, 2007 be dropped and the Show Cause Notice be discharged.



Submissions of the Society

The Society filed written submissions dated 18.12.2025 and additional submissions dated 14.05.2026, which were duly considered. The substance of the submissions is summarized as follows:

1. The Society submitted that the present proceedings originated from a complaint made by Sh. Manish Kumar Gupta, who has been a member of the Society since the year 2010 and raised the issue regarding the respondent's membership only in the year 2022. According to the Society, the complaint has been filed after a considerable lapse of time despite the conviction having been recorded in the year 2013.
2. It was submitted that Sh. Parshu Ram Gupta initially joined the Society in a lower post and, over a period of several years, earned promotions before eventually being appointed as Chief Executive Officer. He did not continuously function as CEO from the inception of his service.
3. The Society informed that the issues relating to the respondent's continuation as CEO and his membership had already been raised by the complainant before the Hon'ble High Court of Delhi in W.P.(C) No.17122/2022, wherein the Society is also a respondent.
4. It was submitted that at the time of his conviction by the Learned Special Judge (CBI), the respondent was serving as an employee of the Society. After pronouncement of sentence on 03.12.2013, he preferred Criminal Appeal No.95/2014 before the Hon'ble High Court of Delhi, wherein the sentence was suspended and the appeal continues to remain pending.
5. The Society further submitted that immediately after the respondent's release on bail, the then Managing Committee sought guidance from the Office of the Registrar Cooperative Societies regarding the appropriate course of action to be taken in respect of his employment. Upon receiving advice that matters concerning service conditions were to be dealt with by the Society under its registered Bye-laws and Service Rules, the Managing Committee initiated disciplinary proceedings.
6. Pursuant thereto, disciplinary action was taken against the respondent, including his demotion from the post of Assistant Chief Executive Officer to a lower post along with reduction in grade and remuneration. According to the Society, these actions were taken immediately after his conviction in accordance with the applicable Service Rules.

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7. The Society further submitted that, in compliance with the interim directions of the Hon'ble High Court dated 30.07.2024, the respondent was immediately restrained from discharging the duties of Chief Executive Officer. It was also pointed out that his contractual engagement as CEO was valid only up to 31.03.2025 and has since expired.
8. With regard to the respondent's membership, the Society submitted that he has remained a member since the year 1986 under successive Managing Committees. It was stated that, according to the Society's records, his conduct as a member has never been found to be prejudicial to the interests of the Society and no proceedings regarding cessation of membership had ever been initiated earlier.
9. The Society further submitted that it had bona fide proceeded on the understanding that since the Office of the Registrar had advised the Society to deal with the respondent's employment under the Service Rules and no direction regarding cessation of membership had ever been issued, the respondent's membership continued unaffected.
10. The Society lastly submitted that it has always acted under the guidance of the Office of the Registrar Cooperative Societies and has complied with the directions issued from time to time. It assured that it shall continue to abide by all lawful directions that may be issued by the competent authority.

Accordingly, the Society requested that the matter be decided in accordance with law after taking into consideration the disciplinary action already taken against the respondent, the pendency of the criminal appeal before the Hon'ble High Court, the observations made by the Hon'ble High Court in W.P.(C) No.17122/2022, and the provisions of the Delhi Cooperative Societies Act, 2003 and the Delhi Cooperative Societies Rules, 2007.

Findings

The proceedings before this Authority are confined to determining whether the respondent has incurred any disqualification contemplated under Rule 20 of the Delhi Cooperative Societies Rules, 2007.

The conviction of the respondent by the Learned Special Judge (CBI) is not in dispute. It is equally undisputed that Criminal Appeal No. 95/2014 is pending before the Hon'ble High Court of Delhi.

The Society has also not disputed the fact of conviction. However, it has consistently maintained that disciplinary action relating to the respondent's employment had already been taken and that the issue of his membership had remained unresolved.



The Hon'ble High Court, in its judgment dated 10.04.2026, has observed that persons with criminal antecedents ought not to occupy managerial positions in cooperative societies. At the same time, the Hon'ble Court recognized that the existing statutory framework does not specifically regulate such appointments and accordingly directed the Government of NCT of Delhi to frame appropriate rules and regulations. Significantly, the Hon'ble Court did not record any finding that the respondent had ceased to be a member under Rule 20 nor did it interpret Rule 20 as providing for automatic cessation of membership on account of the conviction.

Rule 20 is a statutory provision having serious civil consequences and, therefore, must receive strict construction. Before directing cessation of membership, it must be clearly established that the respondent has incurred one of the disqualifications expressly contemplated under the Rule.

Having carefully considered the language of Rule 20, the inquiry reports, the material placed on record, the submissions of the respondent and the Society, and the judgment of the Hon'ble High Court, this Authority finds that the controversy raised in the complaint and the inquiry reports principally relates to the respondent's continuation in employment and his holding of a managerial position in the Society.

The proceedings under Rule 20 are distinct from disciplinary proceedings concerning employment. Likewise, the observations of the Hon'ble High Court regarding the desirability of preventing persons with criminal antecedents from occupying managerial positions cannot, by themselves, be treated as constituting a statutory ground for cessation of membership.

It is also an admitted position that the respondent became a member of the Society in the year 1986, much prior to his conviction. The conviction relied upon by the complainant pertains to proceedings relating to another cooperative society and not to the affairs of Delhi Cooperative Urban Thrift & Credit Society Ltd. Further, although the respondent stands convicted, the execution of the sentence has been suspended by the Hon'ble High Court in Criminal Appeal No. 95/2014 vide order dated 24.01.2014, and the appeal is still pending adjudication. In these circumstances, and in the absence of any express statutory disqualification under Rule 20 applicable to the facts of the present case, this Authority is unable to hold that the respondent has incurred a disqualification warranting cessation of his membership.

It appears that the member has been convicted by the Trial Court; however, the Hon'ble High Court has suspended the sentence and granted him bail during the pendency of the criminal appeal. The appeal against the conviction is presently pending adjudication before the Hon'ble High Court.



In these circumstances, it would be premature to hold that the member has incurred disqualification warranting cessation of his membership. Since the criminal appeal is yet to attain finality and the sentence has been suspended by the Hon'ble High Court, initiation of proceedings under Rule 20 of the Delhi Cooperative Societies Rules, 2007 at this stage would not be appropriate.

Accordingly, it is considered proper to defer any action under Rule 20 until the criminal appeal is finally decided by the Hon'ble High Court. Liberty is reserved to initiate appropriate proceedings under Rule 20, if warranted, after the final outcome of the criminal appeal and subject to the orders passed by the Hon'ble High Court.

For the reasons recorded hereinabove, this Court is of the considered view that, at this stage, the material available on record is insufficient to conclude that the respondent has incurred a disqualification under Rule 20 of the Delhi Cooperative Societies Rules, 2007. Since the respondent's criminal appeal is pending before the Hon'ble High Court and the sentence has been suspended, it would be premature to initiate or continue proceedings under Rule 20 until the criminal appeal attains finality.

Accordingly, the proceedings initiated vide Show Cause Notice dated 27.06.2025 are hereby dropped.

Ordered accordingly.




Krishna Kumar Singh (IAS)
Registrar Cooperative Societies

Sent to:

1. Mr. Parshuram Gupta S/o Sh. Motiram, R/o JD-6A, Pitampura, New Delhi - 110088.
2. President/Secretary, Delhi Cooperative Urban T*C Society Ltd. 31/63-64, Bhikam Singh Colony, Vishwas Nagar, Shahdara, New Delhi - 110032.
3. DRCS, Banking Branch, O/o RCS
4. DRCS (IT), O/o RCS
5. Guard File