HC-KAR

NC: 2026:KHC-D:10222
WP No. 109488 of 2025

CNR: KAHC020258412025

IN THE HIGH COURT OF KARNATAKA AT DHARWAD

DATED THIS THE 22ND DAY OF JULY, 2026

BEFORE

THE HON'BLE MR. JUSTICE SACHIN SHANKAR MAGADUM

WRIT PETITION NO. 109488 OF 2025 (GM-RES)

BETWEEN:

1. MR. SANKET S/O. RAYAPPA KAMATE
AGE: ABOUT 19 YEARS, OCC: STUDENT,
R/O. GANDHI NAGAR, KALLOLI,
TQ: CHIKODI, DIST: BELAGAVI-591244.

2. SHRI RAYAPPA S/O. BHIMU KAMATE
AGE: ABOUT 52 YEARS, OCC: AGRICULTURE,
R/O. GANDHI NAGAR, KALLOLI,
TQ: CHIKODI, DIST: BELAGAVI-591244.

... PETITIONERS

(BY SRI DEEPAK S. KULKARNI, ADVOCATE)

AND:

1. THE REGIONAL MANAGER
KARNATAKA VIKAS GRAMEEN BANK
NOW NAMED AS KARNATAKA GRAMEEN BANK,
REGIONAL OFFICE, CHIKODI,
TQ: CHIKODI, DIST: BELAGAVI-591201.

2. THE MANAGER
KARNATAKA VIKAS GRAMEEN BANK
NOW NAMED AS KARNATAKA GRAMEEN BANK,
KALLOLI BRANCH, TQ: CHIKODI,
DIST: BELAGAVI-591244.

... RESPONDENTS

(BY SRI GIRISH S. HULMANI, ADVOCATE FOR R1 AND R2)

THIS WRIT PETITION IS FILED UNDER ARTICLE 226 AND 227 OF THE CONSTITUTION OF INDIA, PRAYING TO QUASH THE REJECTION LETTER/COMMUNICATTION BEARING NO.REF.KAGB /KALLOL/2025-26 DATED 08.10.2025 ISSUED BY RESPONDENT NO.2 PRODUCED AT ANNEXURE-A AND ETC.,

THIS PETITION, COMING ON FOR PRELIMINARY HEARING, THIS DAY, ORDER WAS MADE THEREIN AS UNDER:

ORAL ORDER

(PER: HON'BLE MR. JUSTICE SACHIN SHANKAR MAGADUM)

The caption petition is filed seeking following reliefs.

> a) *Issue a writ of certiorari or any other appropriate writ, order, or direction, quashing the rejection letter/communication bearing No.Ref: KaGB/Kallol/2025-26 dated 08.10.2025 issued by respondent No.2 produced at Annexure-A.*
>
> b) *Issue a writ of mandamus or any other appropriate writ, order, or direction, directing the respondent Nos.1 and 2 to forthwith sanction and disburse the education loan of Rs.12,56,090/- to the petitioner No.1 for B.E. AI studying at Dayananda Sagar Academy of Technology and Management Institution, Bengaluru for the academic year 2024-25 to 2027-28, subject to the petitioners satisfying all other non-discriminatory eligibility criteria.*

2. The petitioners have presented the instant writ petition calling in question the endorsement issued by respondent No.1-Bank, whereby the application submitted by petitioner No.1 seeking an educational loan for pursuing the higher education of petitioner No.2 has been rejected. The sole reason assigned in the impugned endorsement is that petitioner No.2's father has been classified as a defaulter and that his CIBIL score is low, rendering the loan proposal ineligible for consideration.

3. Learned counsel appearing for the petitioners would vehemently contend that the impugned endorsement is arbitrary, irrational and contrary to the very object underlying educational loan schemes formulated by the banking institutions pursuant to the policy of the Government of India. Placing reliance on the judgment of the High Court of Kerala in W.P.(C) No.17222/2023, disposed of on 21.08.2023, he would submit that educational loans stand on an entirely different footing from commercial loans and, therefore, cannot be rejected solely on the basis of the CIBIL score or the credit history of the student's parent. He would contend that the Kerala High Court has rightly held that educational loan schemes are intended to facilitate access to higher education and not to perpetuate the financial disabilities of a family. It is therefore argued that the respondent-Bank has failed to adopt the humanitarian and welfare-oriented approach which is expected while considering applications seeking educational assistance.

4. Having heard the learned counsel appearing for the parties and having bestowed anxious consideration to the

material placed on record, this Court finds considerable merit in the submissions canvassed by the learned counsel for the petitioners. The impugned endorsement indicates that the respondent-Bank has mechanically rejected the application solely by placing reliance on the poor CIBIL score of petitioner No.2's father. Such an approach, in the considered opinion of this Court, defeats the very object and purpose for which educational loan schemes have been evolved.

5. Educational loans cannot be equated with ordinary commercial or consumer loans. Unlike commercial lending, an educational loan is an instrument intended to facilitate access to education, promote human capital and secure the constitutional promise of equal opportunity. The borrower in substance is the student, whose future earning capacity constitutes the real security for repayment. The educational loan scheme is therefore an investment in the student's future and not merely a commercial transaction based on the existing financial status of the family.

6. If the financial defaults or adverse credit history of the parent are permitted to operate as an absolute

disqualification, the inevitable consequence would be that students belonging to economically weaker families would be denied access to higher education merely because they were born into financially distressed households. Such an interpretation would perpetuate economic inequality across generations and would virtually penalize a student for circumstances over which he has absolutely no control. The creditworthiness of a parent cannot eclipse the educational aspirations and constitutional rights of the student.

7. The CIBIL score undoubtedly serves an important purpose in commercial banking. It enables banks to assess the repayment behaviour and credit discipline of borrowers while sanctioning commercial loans. However, its application cannot be divorced from the nature and object of the loan sought. While the CIBIL score may constitute a relevant consideration in respect of commercial advances, housing loans or personal loans, the same cannot be applied with equal rigidity in the case of educational loans, which are founded on an altogether different public policy consideration. To mechanically transplant commercial lending principles into educational financing would

amount to ignoring the distinct purpose underlying such schemes.

8. A CIBIL score is merely one indicator of past credit behaviour. It is not a statutory disqualification nor can it become the sole determinative factor while considering an educational loan. A rigid insistence upon a parent's credit score would render the educational loan scheme illusory for the very class of students for whose benefit such schemes are predominantly intended. If banks are permitted to reject every educational loan application on the basis of the parent's adverse credit history, students belonging to financially distressed families would stand excluded from higher education, thereby frustrating the constitutional vision of social justice and equality of opportunity.

9. The respondent-Bank, being an instrumentality falling within the meaning of Article 12 of the Constitution, is expected to act fairly, reasonably and in a non-arbitrary manner. Every administrative decision taken by such an authority must satisfy the constitutional mandate contained in Article 14. The doctrine of non-arbitrariness, which is now an

integral facet of Article 14, obligates public authorities to take decisions which bear a rational nexus with the object sought to be achieved. The rejection of an educational loan solely because of the adverse CIBIL score of the student's father bears no rational nexus with the object of promoting access to education.

10. Education has consistently been recognised by the Constitutional Courts as an indispensable facet of the right to life guaranteed under Article 21 of the Constitution. Although higher education may not be a fundamental right in the strict sense, access to higher education cannot be rendered illusory by arbitrary State action. Educational loan schemes constitute one of the principal means through which meritorious students from modest economic backgrounds are enabled to pursue higher studies. Therefore, every authority dealing with such applications is required to adopt an interpretation which advances educational opportunities rather than one which stifles them.

11. Equally, the Directive Principles embodied in Articles 38, 39(b), 41 and 46 cast a constitutional obligation

upon the State and its instrumentalities to promote social justice, reduce inequalities and protect the educational interests of weaker sections. Though the Directive Principles may not be enforceable by themselves, they nevertheless provide valuable guidance while interpreting welfare schemes and administrative decisions. Banks implementing educational loan schemes are therefore expected to adopt an interpretation consistent with these constitutional objectives.

12. The doctrine of proportionality also assumes significance. Even assuming that the parent's adverse credit history could be regarded as a relevant consideration, it cannot become the sole or overriding factor resulting in outright rejection of the application. The respondent-Bank is required to examine the academic credentials of the student, the recognised educational institution, the employability prospects of the course pursued, the repayment mechanism available under the educational loan scheme and other relevant parameters. An absolute rejection solely founded upon the parent's CIBIL score is disproportionate to the object sought to be achieved and therefore cannot withstand judicial scrutiny.

13. This Court is of the considered view that the impugned endorsement cannot withstand judicial scrutiny. The respondent-Bank, being an instrumentality of the State within the meaning of Article 12 of the Constitution of India, is constitutionally obligated to act fairly, reasonably and in a manner that advances the object sought to be achieved by the educational loan scheme. The rejection of the petitioners' application solely on the ground of the adverse CIBIL score of the student's father is manifestly arbitrary and offends the guarantee of equality enshrined under Article 14 of the Constitution. Educational loan schemes are conceived as welfare measures intended to democratize access to higher education and cannot be administered by mechanically importing the parameters applicable to commercial lending. Such an approach would render the scheme inaccessible to students belonging to financially distressed families, thereby frustrating the constitutional vision embodied in Articles 21, 38, 41 and 46, which collectively mandate the obligation of the State to promote educational advancement, reduce social and

economic inequalities and secure meaningful equality of opportunity.

14. The doctrine of non-arbitrariness, as expounded by the Hon'ble Supreme Court in E.P. Royappa and Maneka Gandhi, mandates that every decision of a State instrumentality must bear a rational nexus to the object sought to be achieved. Equally, the doctrine of proportionality demands that while the credit history of a parent may constitute one of the relevant considerations, it cannot be elevated to the status of an absolute or determinative ground for rejecting an educational loan application. Such an inflexible application of the CIBIL score would visit the student with adverse civil consequences for no fault of his own and perpetuate inter-generational economic disadvantage, thereby defeating the constitutional goal of substantive equality and equal opportunity. Educational loans are fundamentally distinguishable from commercial advances, for they are not merely financial transactions but constitute investments in the nation's human capital. The future earning potential, academic merit and employability of the student are the principal

considerations which ought to guide the decision-making process. Therefore, the respondent-Bank's action in rejecting the petitioners' application exclusively on account of the father's adverse CIBIL score is legally unsustainable, contrary to the constitutional ethos and inconsistent with the very object and purpose of educational loan schemes.

15. This Court is therefore of the considered opinion that the impugned endorsement suffers from arbitrariness and is liable to be interfered with. However, during the course of hearing, learned counsel appearing for the respondent-Bank, on instructions, fairly submitted that the Bank is willing to reconsider the petitioners' request in respect of the current academic year. Learned counsel for the petitioners, however, submits that unless the educational loan also covers the tuition fee already paid for the first academic year, the very purpose of seeking financial assistance would stand defeated.

16. Since the controversy lies in a narrow compass, this Court is of the opinion that the ends of justice would be adequately met by directing the respondent-Bank to reconsider the petitioners' application afresh without treating the adverse

CIBIL score of petitioner No.2's father as the sole or determinative ground for rejection and by evaluating the application in the light of the object of the educational loan scheme, the constitutional principles noticed above.

ORDER

i) The writ petition is allowed in part.

ii) The endorsement issued by respondent No.1 rejecting the petitioners' application for educational loan is quashed.

iii) Respondent Nos.1 and 2 are directed to reconsider the petitioners' application afresh, keeping in view the observations made hereinabove.

iv) While reconsidering the application, the respondent-Bank shall not reject the educational loan solely on the ground of the adverse CIBIL score or credit history of petitioner No.2's father. The Bank shall independently evaluate the eligibility of the student in accordance with the applicable educational loan scheme and other relevant parameters.

v) The Respondent-Bank shall also examine the petitioners' request for extending the educational loan so as to cover the expenditure incurred towards the first academic year, if permissible under the applicable educational loan scheme and banking guidelines, besides processing the loan for the current and subsequent academic years.

vi) The entire exercise shall be completed and a reasoned decision shall be communicated to the petitioners within a period of two weeks from the date of receipt of a certified copy of this order.

Sd/-
(SACHIN SHANKAR MAGADUM)
JUDGE

MBS
CT:GSM
List No.: 1 Sl No.: 8