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Subrata Chatteraj v. Union of India (Saradha Case, 2014)

Diya RS

Supreme Court bench - Sanjeeve Khanna

FACTS

Sudipto Sen, the man behind the Saradha Group, started the company in the early 2000s with an investment scheme that promised people unusually high returns—an offer that seemed too good to pass up for many. Using clever and emotionally appealing marketing, the group gained public trust by advertising in well-known newspapers and media houses, organizing religious events at local football clubs, and encouraging people to spread the word among friends and family. To make the scheme appear even more genuine, they brought in familiar faces—respected politicians and popular celebrities—to endorse it. This created a sense of security and hope for thousands of ordinary people looking for better financial futures. The scheme quickly grew, collecting over ₹2,500 crore, and spread beyond West Bengal into neighboring states like Odisha, Assam, and Bihar. Part of its success lay in how it pulled people into the system—not just as investors, but also as agents, lured by a generous 30% commission. For many, it felt like an opportunity to change their lives, until the truth behind the scheme began to unravel.

However, the facade soon began to crumble when investors started demanding their money back along with the promised interest. The agents, who were earlier lured with a 30% commission, also stopped receiving payments. A report shows that the company was using money from new investors to pay old ones, instead of paying returns from actual business profits. The cash collected wasn't properly recorded in the books or reflected in bank accounts. It also found that the company never truly intended to run a real business. Instead, the public's money was spread across 160 companies and either wasted or siphoned off. None of these companies were earning real income, and many suspicious bank accounts were opened to shuffle money around and hide the fraud.

With over 200 private companies operating under its umbrella, it initially became difficult for authorities to trace the scam. To escape regulatory scrutiny, the group began disguising its operations as legitimate business ventures. The roots of the fraud can be traced back to the group's primary line of business, which involved raising

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funds from the public through the issuance of bonds and debentures. When the business abruptly shut down operations and stopped paying lakhs of small investors in April 2013, the fraud was exposed. It revealed the extent of the fraud and led to several demonstrations and police complaints. In May 2014, the Supreme Court moved the inquiry to the CBI due to public outrage and scepticism about the state-led probe.

The Saradha Group's failure to return the money it had taken from the public led to widespread outrage, especially since most of the victims were from the middle and lower-income groups. In response to the protests and public anger, the West Bengal government set up a Commission of Inquiry, led by retired Chief Justice Shyamal Kumar Sen and four others, to look into the scam. Later, the Supreme Court transferred the case to the CBI and directed the West Bengal Police to fully cooperate with the investigation. As the CBI dug deeper, several politicians from the ruling party were found to have links to the scam, with a notable name being IPS officer Rajeev Kumar. He was in charge of the special investigation team that investigated the scam before the CBI took over the probe. In recent developments, Rajeev Kumar has sought anticipatory bail, which the court has granted.

ARGUMENTS

The Saradha Group collected around ₹2,460 crores from the public, but investigations proved otherwise, that only ₹40–₹110 crores were invested in real estate, the amount being disproportionate. This gap was partly attributed to the use of power of attorney documents in property acquisitions, which often did not disclose purchase values. The State Police made no headway in tracking down the lost cash, despite the gravity of the situation.

The counsel for the applicant submitted that in each application, her client's offer exceeds the stated value of the property. She requested that her client be allowed to purchase the properties at the quoted prices, emphasizing that a proper mechanism is in place to carry out the sale and that the offers made are higher than the properties' assessed worth.

JUDGEMENT

The Supreme Court, in response to the large-scale chit fund scam affecting investors across West Bengal and Odisha, transferred the investigation to the CBI in 2014, directing full cooperation from state police. However, tensions grew between the CBI and the West Bengal State Police Force (WBSPF), particularly regarding Mr. Rajeev Kumar, a senior IPS officer accused of obstructing the investigation and possibly protecting key accused. The CBI claimed he was uncooperative and withheld evidence, while the state government alleged political vendetta and insisted Mr. Kumar had only a limited role and had fully cooperated. In a 2019 order, the Court barred the

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CBI from arresting him but required his cooperation; later, this protection was lifted, allowing the CBI to proceed legally while giving Mr. Kumar seven days to seek relief from a competent court. The Court clarified that it was not ruling on the merits of the case but ensuring proper legal procedures were followed.

PRECEDENT

In the matter of R. S. Sodhi Advocate v. State of Uttar Pradesh 1994¹ First, an Inspector General-level official undertook the inquiry. A one-member Commission headed by a sitting judge of the Allahabad High Court was also established. Nonetheless, the Supreme Court ruled that an impartial CBI investigation was warranted because the local police were implicated in the purportedly fictitious incident. Despite the police's best efforts, it was stressed that the investigation would not be credible and that the matter needed to be transferred to the CBI in order to maintain public trust and justice.

COMMENTS

' Justice delayed is Justice denied ' a commonly used phrase when highly sensitive cases are not treated according to their severity but one lacks to look beyond the actions of the court . When the case such as this is plagued with political influence there are slim chances of attaining the justice which was promised by the court . This case had government officials turning their back on the oath taken . Courts must take every step acknowledging the procedure and law in mind to minimize the chances of having any arrows being pointed back at them for negligence which happens to be the bait everyone takes to subdue and lead the case in another direction

Having political influence over the case caused a huge impediment to attain justice. Chit funds have been an aid to the local business men since the the early 1900s, now it's a gamble. There are few tell tale signs of a ponzi scheme one of them which happens to be high returns on low deposits , targeting low income family's to open their pockets and make them believe an illusion .

This case followed the same , advertising at every opportunity and paying hefty amounts to agents to bring in more investors only to disappear into the night . The courts are selling the properties owned by the founder to repay the victims. While restitution through the sale of the founder's properties may offer some solace to the victims, it does little to restore the lost faith in institutions that were meant to protect them. Justice is not merely about compensation—it is about accountability, deterrence, and restoring public trust. When systemic failures, regulatory apathy, and political interference intertwine, justice becomes not just delayed but distorted. To prevent future scandals of this scale, the judiciary, legislature, and enforcement agencies must work in unison—not in silence or complicity. Only then can the promise

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of justice be more than just a phrase and truly serve as the cornerstone of a democratic society.

CITATIONS

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2. *R.S. Sodhi, Advocate v. State of Uttar Pradesh*, (1994) 2 S.C.C. 556 (India).
3. <https://indianexpress.com/article/india/india-others/cbi-takes-over-saradha-probe-on-sc-orders/>.
4. <https://www.thehindu.com/news/national/other-states/rajeeve-kumar-gets-anticipatory-bail/article29576382.ece>.