

IN THE SUPREME COURT
OF THE DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

*In the matter of an Appeal in terms of Section
754(1) of the Civil Procedure Code read with
Section 5 of the High Court of the Provinces
(Special Provisions) Act No.10 of 1996.*

Ran Ruwan Company (Private) Limited
382/4, Sri Nandasara Avenue,
Arangala,
Hokandara North.

Defendant-Appellant

SC CHC APPEAL NO.13/2023

Commercial High Court Case
No.561/2016/MR

-Vs-

Bank of Ceylon
Bank of Ceylon Square,
Bank of Ceylon Avenue,
Colombo 01.

Plaintiff-Respondent

BEFORE : **YASANTHA KODAGODA, PC, J.**
KUMUDINI WICKREMASINGHE, J. &
MENAKA WIJESUNDERA, J.

COUNSEL : Sumedha Mahawanniarachchi instructed by Nishan Balasooriya for the Defendant-Appellant.
Neomal Pelpola with Aushadhi Wickramasinghe instructed by Subhani Nanayakkara for the Plaintiff-Respondent.

ARGUED & DECIDED ON : 11TH November 2025

JUDGMENT

YASANTHA KODAGODA, PC, J.

This direct Appeal to the Supreme Court arises out of a judgment of the High Court of the Provinces exercising commercial jurisdiction (therefore commonly referred to as the ‘Commercial High Court’) dated 3rd February 2023 by which the Commercial High Court had held in favour of the Plaintiff in case No. CHC 561/2016/MR.

Albeit briefly, the position of the Plaintiff is that the afore-stated action was filed to recover a sum of Rs. 7,428,273.94 together with interest thereon from the Defendant who is the present Appellant before this Court. The position of the Plaintiff, which has been substantiated by way of evidence led at the trial and accepted by the learned trial Judge, is that the Defendant-Appellant had obtained a term loan amounting to Rs. 4,650,000.00 payable within a period of 120 months in monthly installments. The stipulated interest rate was 16% per annum. The total sum to be paid back to the Plaintiff – Respondent was Rs. 7,700,895.00.

Learned Counsel for the Plaintiff-Respondent has drawn the attention of this Court to document marked and produced "Pe 3" which he submits stood as both the application seeking the loan (which originated from the Defendant - Appellant) as well as the corresponding loan agreement. It is not in dispute that "Pe 3" has been signed by two Directors of the Defendant - Appellant company and by an official of the Plaintiff - Respondent bank. Further proof of the afore-stated loan agreement is found in document marked and produced "V 1" produced at the trial by the Defendant - Appellant which reiterates the terms and conditions of the afore-stated loan. It is not in dispute that the Plaintiff - Respondent had disbursed a sum of Rs. 4,650,000.00 to the Defendant - Appellant's current account bearing No. 369 3646. "Pe 3" discloses the purpose for which the loan was sought by the Defendant - Appellant and granted by the Plaintiff - Respondent, and that being to service the working capital requirements of the Defendant - Appellant company. In view of the foregoing items of evidence, I conclude that by the signing of "Pe 3", the Plaintiff - Respondent and the Defendant - Appellant had entered into an enforceable agreement.

The parties before this Court are not in disagreement that the disbursed amount having been credited to the account referred to above had been mobilized by the Plaintiff-Respondent to partially settle an overdraft facility that was pending in the same current account. It is also not in dispute that the Defendant - Appellant had failed to honour the terms and conditions contained in "Pe 3" and had failed and neglected to repay the afore stated loan. In the circumstances, I conclude that the Defendant - Appellant had breached the loan agreement referred to above. Thus, as determined by the learned trial Judge, the amount stated in the Plaintiff was in fact due payable by the Defendant - Appellant to the Plaintiff - Respondent as at the date on which action before the Commercial High Court was instituted.

The primary argument of learned Counsel for the Defendant - Appellant was that though the loaned amount was disbursed to his current account referred to above, the Defendant - Appellant could not use the money received from the Plaintiff - Respondent as working capital which was the purpose for which the loan was obtained. The position of learned Counsel for the Plaintiff - Respondent is that it was well within the contractual entitlement of the Plaintiff - Respondent to have unilaterally use the amount disbursed to the current account of the Defendant - Appellant for the purpose of partially settling the overdrawn facility that had been granted to the Defendant - Appellant company by the Plaintiff - Respondent bank.

On a consideration of the terms and conditions based upon which the afore-stated loan had been obtained, it is the view of this Court that it was within the contractual entitlement of the Plaintiff - Respondent bank to have mobilized the disbursed money for the purpose of unilaterally settling the overdrawn facility of the current account of the Defendant - Appellant. In the circumstances, it is not possible for this Court to accept the submission of learned Counsel for the Defendant - Appellant that the Plaintiff-Respondent had conducted itself contrary to the terms and conditions of the afore-stated loan agreement.

I have also carefully gone through the impugned judgment of the High Court, and I have noted that the learned trial Judge has judiciously considered the evidence, and arrived at a finding, by which he has rightly rejected the narrative provided through oral evidence on behalf of the Defendant-Appellant, that the loan in issue had been applied for at the instance of the relevant branch Manager of the Plaintiff-Respondent bank, to enable the Manager to satisfy his superiors that he had met with credit targets imposed on him. That position has been rejected by the learned trial Judge and it is necessary to observe that it is not a probable narrative and is not supported by any of the documentary evidence.

In the circumstances, it is the view of this Court that this Appeal does not carry any merit. Therefore, this Appeal is dismissed.

Accordingly, the Plaintiff – Appellant shall be entitled to recover the amount due together with interest calculated thereon.

Given the fact that this Appeal does not attract any merit, the Appellant is directed to pay the cost of this litigation to the Plaintiff Respondent.

The learned Judge of the Commercial High Court is directed to enter the decree according to this Judgment.

Subject thereto, proceedings relating to this Appeal is terminated. The Registrar of the Supreme Court is directed to forward to the Registrar of the Commercial High Court a copy of this Judgment.

JUDGE OF THE SUPREME COURT

KUMUDINI WICKREMASINGHE, J.

I agree.

JUDGE OF THE SUPREME COURT

MENAKA WIJESUNDERA, J.

I agree.

JUDGE OF THE SUPREME COURT