
BALANCING LIBERTY AND ENFORCEMENT: BAIL JURISPRUDENCE UNDER PMLA IN *V. SENTHIL BALAJI* (2024 INSC 739)

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ABSTRACT:

This case comment examines the Supreme Court's decision in "*V.Senthil Balaji v. Directorate of Enforcement*(2024)¹", a landmark ruling in India's money laundering jurisprudence. The case concerned allegations of a large-scale recruitment scam and laundering of proceeds through complex financial transactions. While reaffirming the existence of a prima facie case under the Prevention of Money Laundering Act, 2002 (PMLA), the Court foregrounded Article-21's guarantee of a speedy trial², holding that indefinite pre-trial incarceration cannot be justified under Section-45³ stringent bail conditions. By granting bail subject to strict safeguards, the judgment reflects a nuanced balance between protecting the integrity of financial investigations and preventing the PMLA from becoming an instrument of pre-trial punishment. Doctrinally, the ruling tempers the rigidity of *Vijay Madanlal Choudhary*(2022)⁴ while resonating with the constitutional reasoning of *Nikesh Tarachand Shah*(2017)⁵. It strengthens judicial oversight of the Enforcement Directorate and recalibrates bail jurisprudence, ensuring that India's fight against money laundering remains firmly anchored in constitutionalism.

Keywords: Money Laundering, Prevention of Money Laundering Act(PMLA), Bail Jurisprudence, Article 21-Speedy Trial.

¹ *V.Senthil Balaji v. Directorate of Enforcement*, 2024 INSC 739

² Ind.Const.art.21

³ Prevention of Money Laundering Act, § 45 (2002) (India)

⁴ *Vijay Madanlal Choudhary v. Union of India*,(2011) 1 scc 307 76

⁵ *Nikesh Tarachand Shah v. Union of India*,(2018) 11 scc 1

Bench: Honourable Justices. Abhay S Oka, Augustine George Masih

1. Introduction:

Money laundering is often described as a “threat multiplier” in economic offences. It not only legitimises illicit wealth but also de-stabilises financial systems, corrodes public institutions, and undermines governance. Recognising these dangers, India enacted the Prevention of Money Laundering Act, 2002(PMLA)⁶, aimed at criminalising laundering activities, attaching proceeds of crime, and empowering the Enforcement Directorate (ED) with expansive investigative authority.⁷

Over the past two decades, however, the PMLA has attracted consistent constitutional scrutiny. Its stringent bail provisions under Section-45⁷, the wide-ranging powers of search and seizure under Section-50⁸, and the ambiguous standards for attachment and confiscation have been criticised for disproportionately infringing upon fundamental rights. The Supreme Court’s judgment in *Vijay Madanlal Choudhary v. Union of India* (2022)⁹ had upheld much of the ED’s powers, cementing the statute’s strict regime. Yet, concerns over liberty, political misuse, and prolonged pre-trial incarceration persisted.

It is against this backdrop that the Supreme Court in *V. Senthil Balaji v. Directorate of Enforcement* (2024)¹⁰ examined whether continued detention under the PMLA could survive constitutional scrutiny when the trial was unlikely to conclude within a reasonable time. The case involved a former Transport Minister of Tamil Nadu, accused of orchestrating a large-scale job racket and laundering the proceeds through complex financial structures. While the ED pressed for continued custody citing the gravity of the offence and Senthil Balaji’s political influence, the Court foregrounded Article-21’s¹¹ guarantee of a speedy trial, ultimately granting bail with stringent conditions.

This judgment not only revisits the boundaries of Section-45 but also situates the PMLA within broader constitutional jurisprudence on liberty. The present case comment offers a detailed analysis of the decision, evaluating its factual background, the legal issues involved, the Court’s reasoning, and its implications for the evolving landscape of economic offences.

⁶ Ibid Note-3

⁷ Prevention of Money Laundering Act, 2002 (PMLA), § 50 (India)

⁹ Ibid Note-4

¹⁰ Ibid Note-1

¹¹ Ind.Const.art.21

2. Factual Background:

S. No.	Aspect	Details
1	Position Held	Transport Minister, Government of Tamil Nadu (2011–2016).
2	Allegations	Recruitment scam in the Transport Department – jobs allegedly sold in exchange for bribes (drivers, conductors, junior assistants, engineers).
3	Predicate Offences Registered	A. FIR No. 441 of 2015 → CC Nos. 22 & 24 of 2021, involving 2000+ accused and 550 witnesses. B. FIR No. 298 of 2017 → CC No. 19 of 2020, involving 14 accused and 24 witnesses. C. FIR No. 344 of 2018 → CC No. 25 of 2020, involving 24 accused and 50 witnesses.
4	Statutory Provisions Invoked	A. Indian Penal Code, 1860: Sections 120B, 419, 420, 467, 471 read with Section-34. B. Prevention of Corruption Act, 1988: Sections 7, 12, 13(2) read with Sec-13(1)(d). C. Declared “scheduled offences” under Section-2(y) of the PMLA.
5	ED Proceedings	A. ECIR No. MDSZO/21/2021 registered on 29 July 2021. B. Arrest of Balaji on 14 June 2023. C. Complaint filed under Sections 3 & 4 PMLA before Special PMLA Court, Chennai on 12 August 2023.
6	Evidence Relied Upon by ED	A. Electronic records (pen drive containing Excel file “CS AC” showing bribes of approx. ₹67 crores). B. Unexplained cash deposits of ₹1.34 crores in Balaji’s accounts. C. Statements recorded under Section 50 of the PMLA.
7	Procedural History	Bail plea under Section-439 CrPC rejected by the Madras High Court (February 2024) → Appeal filed before the Supreme Court.

3. Issues Before the Supreme Court:

The Supreme Court, in addressing Senthil Balaji's appeal, was confronted with four interrelated legal issues:

1. Prima Facie Case under PMLA: Whether the evidence relied upon by the ED- particularly the pen drive and cash deposits- established a prima facie case of money laundering under Section-3 PMLA.
2. Delay and Speedy Trial: Whether prolonged pre-trial incarceration, in a case with over 2000 accused and 600 witnesses, violated the constitutional guarantee of speedy trial under Article-21 of the Constitution, notwithstanding Section-45's strict bail conditions.
3. Applicability of Section-45's Twin Conditions: Whether the statutory embargo on bail under Section-45(1)(ii) PMLA could be overridden in exceptional cases where trial delays made continued custody unconstitutional.
4. Influence and Witness Tampering: Whether Balaji's political stature and alleged past attempts to secure compromises in predicate offences justified continued detention to prevent interference with witnesses and evidence.

These key issues, was taken by the supreme Court to reconcile the legislative intent of a anti-money laundering framework with the constitutional mandate of liberty and fair trial.

4. Arguments of the Parties:

4.1 : Submissions on behalf of the Appellant- (V.Senthil Balaji)

The senior counsel appearing for the appellant advanced multiple arguments to demonstrate that his continued incarceration was unjustified, both legally and constitutionally. It was first contended that the prosecution's case suffered from serious evidentiary weaknesses, as it relied heavily on a pen drive allegedly seized from the appellant's premises containing an Excel sheet detailing payments for jobs. The forensic analysis conducted by the Tamil Nadu Forensic Science Laboratory (TNFSL), however, did not conclusively establish the presence of the file in the seized device, and discrepancies in naming such as "CS AC" versus

“csac.xlsx¹²” further undermined its probative value. Additionally, the unexplained cash deposits in Balaji’s accounts were argued to be legitimate, derived from his remuneration as a Member of the Legislative Assembly and agricultural income. The appellant further emphasised the issue of prolonged incarceration and delay in trial, pointing out that he had already spent over fifteen months in custody while charges in the predicate offences had not yet been framed. Given that the scheduled offences involved over 2000 accused and 600 witnesses, the trial was unlikely to conclude within five to six years, and since money laundering under Section-3 of the PMLA¹³ is contingent upon proving proceeds of crime in scheduled offences, the PMLA trial could not reach completion before the predicate trials. This, counsel submitted, amounted to a violation of the fundamental right to a speedy trial under Article-21. Reliance was placed on *Union of India v. K.A. Najeed*, where the Court held that statutory bail restrictions cannot override constitutional guarantees in cases of inordinate delay¹⁴, as well as on *Manish Sisodia v. Directorate of Enforcement*, where bail was granted in light of prolonged custody and the improbability of trial completion¹⁵. The defence also argued on grounds of comparative hardship and proportionality, noting that the minimum punishment under the PMLA is three years, whereas the appellant had already spent more than half of that period in custody without conviction, effectively amounting to punishment without trial in violation of settled bail jurisprudence. Finally, it was urged that the proceedings bore the colour of political vendetta, given Balaji’s influential position in Tamil Nadu politics, and that the ED’s actions appeared motivated by political considerations rather than genuine enforcement, thus risking misuse of the statute as a tool of political persecution under the guise of combating money laundering.

4.2 Submissions on behalf of the Respondent-(Directorate of Enforcement):

The Solicitor General of India, appearing for the Enforcement Directorate, advanced counter-arguments emphasising both the gravity of the allegations and the risks inherent in granting bail to the appellant. It was first submitted that there existed a strong prima facie case, as the prosecution relied on documentary and electronic evidence suggesting that more than ₹67 crores were collected through the recruitment racket. Files such as “CSAC” and “AC1.xlsx¹⁶” together with email communications, were said to corroborate Balaji’s role in systematically

¹²“CS AC” and “csac.xlsx” file recovered from accused from his computer

¹³ Prevention of Money Laundering Act, 2002 (PMLA), §-3 (India)

¹⁴ *Union of India v. K.A. Najeed*, (2021) 3 scc 713

¹⁵ *Manish Sisodia v. Directorate of Enforcement*, 2024 INSC 595

¹⁶ *Ibid* Note-12

fixing prices for jobs in the Transport Department. The ED further argued that the explanations offered by the appellant were untenable, since MLA salaries are credited directly into bank accounts and the agricultural income claimed did not align with the deposits in question. The prosecution also underscored the risk of witness tampering, pointing to Balaji's political stature and alleging that he had previously influenced complainants in predicate cases to reach dubious compromises. Judicial recognition of such engineered settlements, as seen in *P. Dharamraj v. Shanmugam* and *Y. Balaji v. Karthik Desari*, was invoked to demonstrate that releasing the appellant could further undermine the integrity of the prosecution¹⁷. Stressing the statutory bar, it was submitted that Section-45(1)(ii) of the PMLA¹⁸ imposes a twin condition for bail- requiring the Court to be satisfied both that the accused is not guilty and that he is unlikely to commit offences while on bail. According to the ED neither requirement was fulfilled, and hence bail could not be justified. The Solicitor General further stressed the grave nature of the offence, contending that money laundering is not merely an economic crime but a threat to national integrity and sovereignty, as affirmed in *Vijay Madanlal Choudhary v. Union of India*¹⁹. Given the magnitude of the allegations and sums involved, stringent standards were urged. Finally, addressing concerns over trial delays, it was suggested that the appointment of a special public prosecutor could expedite proceedings by eliminating redundant witnesses, demonstrating that the delay was not insurmountable and that the appellant should therefore remain in custody until meaningful progress was achieved in trial

5. Court's Analysis and Judgement:

Hon'ble Justice. Abhay S. Oka, speaking for the Bench, engaged in a delicate balancing exercise between the PMLA's legislative aim of strict enforcement and the constitutional imperatives of liberty and fair trial. The Court first addressed the evidentiary basis of the prosecution. It noted that the key incriminating material was an Excel file labelled "CS AC²⁰," recovered from a pen drive seized during searches connected with the predicate offences. Although the defence pointed to inconsistencies in the forensic report, particularly the mismatch between the file names "CSAC" and "csac.xlsx²¹" the Court held that, at the bail stage, such discrepancies did not undermine the authenticity of the documents or the

¹⁷ *P. Dharamraj v. Shanmugam, Y. Balaji v. Karthik Desari* (2023) Sc online SC 645

¹⁸ Prevention of Money Laundering Act, 2002 (PMLA), § 45(1)(ii) (India)

¹⁹ Supra Note-9

²⁰ Ibid Note- 12

²¹ Supra Note-20

certified printouts relied upon by the trial court. Additionally, unexplained deposits of around ₹1.34 crores in the appellant's accounts, as well as deposits in his wife's accounts, were considered sufficient to establish a prima facie case of laundering. The Court observed that at this stage it would be difficult to conclude that no case existed under Section-44(1)(b) of the PMLA²², thereby meeting the threshold under Section-45.

Having done so, the Court turned to what it identified as the central constitutional issue: whether prolonged detention, given the near impossibility of concluding trials within a reasonable time, would amount to a violation of Article-21²³. Since the predicate offences involved more than 2000 accused and 600 witnesses, the Court considered it unrealistic to expect trial completion within three to four years. Because the money laundering prosecution depended on the outcome of these predicate cases, the appellant's continued custody risked becoming indefinite. Drawing on *Union of India v. K.A. Najeed*, the Court reiterated that statutory restrictions such as Section-43-d(5) of the UAPA or Section-45 of the PMLA cannot override constitutional guarantees where incarceration becomes disproportionate and the right to a speedy trial is imperilled²⁴. Similarly, the Court referred to *Manish Sisodia v. Directorate of Enforcement*, where it had been emphasised that keeping an accused in custody indefinitely, pending completion of trial, would undermine the fundamental right to liberty under Article-21²⁵. On this reasoning, the Court held that the rigour of Section-45 must yield in cases where trial delay is so severe that pre-trial detention effectively becomes punishment without conviction.

The Court then revisited the principles of bail jurisprudence, recalling decisions such as *Gudikanti Narasimhulu v. Public Prosecutor* and *Hussainara Khatoon v. State of Bihar*. It reaffirmed that bail is not punitive but intended to ensure the accused's presence at trial, stressing that the maxim "bail is the rule and jail the exception" retains relevance even under special statutes²⁶. In this context, the Court cautioned that Section-45 cannot be allowed to operate as an instrument of indefinite incarceration.

At the same time, the Court did not dismiss the State's concerns. Recognising the seriousness of the allegations and the risk of interference with witnesses given the appellant's political

²² Prevention of Money Laundering Act, 2002 (PMLA), §-44(1)(b) (India)

²³ Ind.Const.art.21

²⁴ Ibid Note-14

²⁵ Ibid Note-15

²⁶ *Gudikanti Narasimhulu v. Public Prosecutor*, (1978) 1 scc 240; *Hussainara Khatoon v. State of Bihar*, (1980) scc (1) 115

influence, the Court imposed strict bail conditions. These included execution of a bail bond of ₹25 lakhs with sureties, prohibition on contacting witnesses, periodic reporting to the ED, monthly appearances before the investigating officers, surrender of passport, and liberty to cancel bail if adjournments were misused. Such measures, according to the Court, struck a balance between safeguarding the prosecution and protecting the appellant's right to liberty.

Finally, the Court clarified the doctrinal position post-Senthil Balaji case, While Section-45 continues to impose a high statutory threshold for bail, constitutional courts retain authority under Articles-32 and 226 to intervene in cases where liberty is at stake. The Court emphasised that stringent bail provisions cannot be transformed into tools of indefinite pre-trial incarceration. In doing so, the judgment subtly recalibrated the strict approach in *Vijay Madanlal Choudhary v. Union of India* by restoring judicial discretion and reinforcing constitutional oversight, thereby ensuring that the enforcement of PMLA does not eclipse fundamental rights²⁷

6. Critical Analysis:

The judgment in *V. Senthil Balaji v. Directorate of Enforcement*²⁸ reflects a significant development in the bail jurisprudence under the PMLA.

In *Vijay Madanlal Choudhary v. Union of India* (2022)²⁹, the Supreme Court upheld the twin bail conditions of Section-45, stressing that money laundering is a grave offence threatening the economic and constitutional order of the State. That decision strengthened the ED's powers and signalled judicial deference to legislative intent. By contrast, *Senthil Balaji* represents a soft but important shift. While not diluting Section-45 itself, the Court held that its rigours must "melt down" where prolonged custody and indefinite trial delays risk violating Article-21. In doing so, the Court restored balance by asserting that no statutory bar can override constitutional guarantees.

The judgment also echoes the reasoning in *Nikesh Tarachand Shah v. Union of India* (2017)³⁰, where Section-45's bail conditions were struck down as arbitrary and violative of Articles-14 and 21. Though Parliament revived Section-45 later and *Vijay Madanlal* upheld

²⁷ Supra Note-9

²⁸ Supra Note-1

²⁹ Supra Note-9

³⁰ Ibid Note-5

it, *Senthil Balaji* brings back *Nikesh*'s philosophy: constitutional rights must prevail when liberty is at stake. By citing *K.A. Najeeb* and *Manish Sisodia*, the Court reaffirmed that fundamental rights cannot be sacrificed to statutory stringency.

Positively, the ruling advances bail jurisprudence by re-centring Article-21 in economic offences, reiterating that bail is the rule and jail the exception, and recognising trial delay as a constitutional violation. It also demonstrates a pragmatic approach by granting bail with strict conditions, balancing liberty with enforcement needs.

The Court accepted the ED's reliance on electronic files despite defence claims of forensic flaws, leaving evidentiary standards under PMLA underexplored. It also avoided a deeper discussion on political misuse and selective prosecution, issues repeatedly raised in relation to ED actions. Finally, while the judgment allows constitutional courts to relax Section-45 in cases of delay, it leaves unresolved the tension between *Vijay Madanlal*'s strictness and *Senthil Balaji*'s flexibility, which future benches will need to reconcile.

In essence, the ruling adopts a middle path. It does not weaken the statutory framework of PMLA but ensures that constitutional courts retain power to step in when liberty is unfairly curtailed. By injecting constitutional reasonableness into a rigid law, the judgment prevents the PMLA from becoming a tool of pre-trial punishment, while still recognising the seriousness of money laundering offences.

7. Implications of the Judgment:

The *Senthil Balaji* ruling carries both jurisprudential and practical significance for India's anti-money laundering regime.

First, it recalibrates bail jurisprudence under the PMLA by holding that Article-21 operates as a constitutional safeguard against the excessive rigours of Section-45. Where trial delays make detention indefinite, courts are empowered to grant bail notwithstanding statutory restrictions. This ensures that the PMLA cannot be reduced to a mechanism of pre-trial punishment. In practice, the judgment provides a strong precedent for courts across the country to intervene in cases where the sheer backlog of PMLA prosecutions renders speedy trial impossible.

Second, the decision strengthens judicial oversight of the Enforcement Directorate. By reaffirming that stringent statutes cannot oust constitutional review, the Court has made clear that ED's powers are not beyond scrutiny. This is likely to encourage trial courts and high courts to more carefully examine ED's compliance with procedural safeguards, particularly in arrests, remand applications, and the use of electronic evidence. Such oversight is vital in maintaining public confidence in anti-money laundering enforcement while preventing its misuse for political or extraneous ends.

8. Conclusion:

The Supreme Court's decision in *V. Senthil Balaji v. Directorate of Enforcement (2024)*³¹ marks a pivotal moment in India's money laundering jurisprudence, reaffirming that constitutional safeguards, particularly the right to a speedy trial under Article-21, cannot be subordinated to statutory stringency. By granting bail under strict conditions, the Court carefully balanced the State's interest in enforcing the PMLA with the fundamental liberty of the accused, ensuring that pre-trial detention does not morph into punitive incarceration. Doctrinally, the ruling tempers the rigidity of *Vijay Madanlal Choudhary*(2022)³² while resonating with the principles established in *Nikesh Tarachand Shah*(2017)³³ restoring judicial oversight over the Enforcement Directorate and preserving the constitutional ethos. This judgment underscores a critical principle, while combating economic offences is essential, the rule of law and protection of individual rights remain paramount. Ultimately, *Senthil Balaji case* reinforces that the fight against money laundering in India must be anchored not only in statutory enforcement but also in constitutional reasonableness, ensuring that legal processes are just, proportionate, and equitable.

³¹ Supra Note-10

³² Supra Note-19

³³ Supra Note-30