VERTARI LEGAL

Legal Review

A fortnightly survey of significant decisions of the Supreme Court of India, and of the statutory and policy developments of the fortnight.

CURATED FROM SCC ONLINE

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ABOUT THIS REVIEW

The Fortnightly Legal Review

The Vertari Legal Review is prepared by the team at Vertari Legal as a fortnightly survey of significant decisions of the Supreme Court of India and of the statutory and policy developments that follow them. Each edition opens with one or two features that take a view on the fortnight's most consequential rulings, sets out the themed case notes with their authorities pinpointed to the SCC report, and closes with a short watch on the statutes, rules and deadlines worth keeping on the calendar.

It is intended for general awareness and professional discussion, and does not constitute legal advice. Readers should consult the full text of the judgments and instruments, and take advice, before acting on anything stated here.

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FROM THE EDITOR

Editor's Note

Much of a commercial lawyer's work happens at the boundary between what the parties have agreed and what the law will police, and this fortnight's decisions sit squarely on that line.

Two features carry the issue. The first is the Court's most consequential contract ruling in some time. In BPL v. Morgan Securities it upheld a 36% default rate, compounded monthly, and in doing so imported the English Cavendish test for penalties, shifting the inquiry under Section 74 from a genuine pre-estimate of loss to the legitimate interest a clause protects. The second turns to the public trust. In Swacch Assn. the Court held that a man-made lake is not a statutory wetland, then brought it within the public trust doctrine anyway, restoring through the common law much of the protection the Rules had withheld. Each feature draws out the doctrine and the tension it leaves behind.

The case notes share the same preoccupation with limits. An award that has survived every challenge cannot be reopened at the execution stage on a late plea of fraud; a customs levy on electricity dressed up as an exemption cannot survive when the power to tax was never there; a registrar may not turn himself into a court of title; the company tribunal may decide the fraud at the heart of an oppression petition rather than send it away; and an insurer must prove the owner knew before it recovers on a fake licence.

Two dates belong in the diary rather than the reading pile. The window for the backlog of GST appeals to the new Tribunal closes on 30 June, with no further relaxation promised, and the Income-tax Act, 2025 is now in force for the year that has begun.

A Review earns its keep by taking a view, not by reciting a summary, so this fortnight we have tried to say where each decision stops as well as where it goes. Write back where you think we have read it wrong.

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FEATURE · ANALYSIS

A hard default rate, upheld: the Court rewrites the test for agreed damages

By the Vertari Legal Litigation Team

Upholding a 36% default rate compounded monthly, the Supreme Court has held that an agreed sum payable on breach is to be judged by the legitimate commercial interest it protects, not by whether it is a genuine pre-estimate of loss. The reasoning imports the English Cavendish test and, in doing so, unsettles a proposition that has governed Section 74 since Fateh Chand.

Section 74 of the Contract Act, 1872 governs the sum a contract names as payable on breach.[1] Where that sum is a penalty, the party complaining of the breach is entitled to reasonable compensation not exceeding the amount named, and the court is not bound to award the figure written down. The test that has governed the provision since *Fateh Chand v. Balkishan Dass* asks whether the stipulated sum is a genuine pre-estimate of the loss likely to flow from breach, or a sum fixed in terrorem to coerce performance. *ONGC v. Saw Pipes* and *Kailash Nath Associates v. DDA* carried that test forward, the latter holding that compensation under Section 74 is due only where injury or loss is shown, and that the named sum is the ceiling rather than the measure. A clause divorced from any forecast of loss was, on this view, a penalty, and it was read down.

1. Contract Act, 1872, s. 74 and Illustration (d). The genuine pre-estimate line: Fateh Chand v. Balkishan Dass, AIR 1963 SC 1405; ONGC Ltd. v. Saw Pipes Ltd., (2003) 5 SCC 705; Kailash Nath Associates v. DDA, (2015) 4 SCC 136. The English origin: Dunlop Pneumatic Tyre Co. Ltd. v. New Garage and Motor Co. Ltd., [1915] AC 79.

BPL Ltd. v. Morgan Securities & Credits (P) Ltd. tested that orthodoxy on a hard commercial bargain.[2] The facility was a bill-discounting line, under which a non-banking finance company advanced cash against a borrower's unpaid invoices and carried the credit risk on them. The sanction terms gave a concessional rate of interest for punctual payment and a higher 'normal' rate of 36% per annum, compounded monthly, that took effect on default. BPL drew the facility, defaulted, and resisted the arbitral award enforcing the 36% rate. The Delhi High Court rejected the challenge under Sections 34 and 37 of the Arbitration Act, and BPL came to the Supreme Court.

2. BPL Ltd. v. Morgan Securities & Credits (P) Ltd., (2026) 3 SCC 1 : 2025 SCC OnLine SC 2640 : 2025 INSC 1380.

For BPL, Mr Gopal Subramanium pressed three points.[3] The 36% rate with monthly rests was penal interest, barred by Illustration (d) to Section 74, under which only the loss actually suffered may be recovered even where a penal sum is named; the award offended public policy under Section 34(2)(b)(ii); and Section 31(7)(a) of the Arbitration Act allowed a tribunal only reasonable pendente lite interest, not a contractual rate of this order. He leaned heavily on *Central Bank of India v. Ravindra*. For Morgan Securities, Mr Shyam Divan answered that four courts had concurrently upheld the rate, that the Usurious Loans Act, 1918 had no application, and that an award twice affirmed, under Section 34 and again under Section 37, should not be disturbed under Article 136.

3. Submissions of Mr Gopal Subramanium for the appellant (paras 30-36) and Mr Shyam Divan for the respondent (para 38); the public-policy and pendente lite points under Section 34(2)(b)(ii) and Section 31(7)(a) of the Arbitration and Conciliation Act, 1996.

The Court, through Pardiwala J., dismissed the appeals.[4] Its first holding is on party autonomy. Section 31(7)(a) lets a tribunal award interest 'unless otherwise agreed by the parties', and the

4. Id., para 68 (J.B. Pardiwala and Sandeep Mehta, JJ.; decided 4 December

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Court read that phrase to mean that once the parties fix a rate, the tribunal is bound by it and has no discretion to substitute a rate it thinks more reasonable. Bill discounting, the Court added, is not a loan, so the Usurious Loans Act did not apply, and the elevated rate was a rational price for unsecured, short-term money.

2025): party autonomy under Section 31(7)(a), the tribunal being bound by the agreed rate; bill discounting is not a loan and the Usurious Loans Act, 1918 does not apply, para 48.

On Section 74 the Court reached for the English law of penalties, and the content of what it borrowed matters.[5] The penalty rule there descends from *Dunlop Pneumatic Tyre Co. v. New Garage*, which sorted a clause into a genuine pre-estimate of loss, which was good, or a sum held in terrorem, which was a penalty and void. In *Cavendish Square Holding BV v. Makdessi* the United Kingdom Supreme Court rebuilt that test. Lords Neuberger and Sumption called the penalty rule 'an ancient, haphazardly constructed edifice which has not weathered well', confined it to a secondary obligation, one that arises on breach, and recast the question as whether that obligation imposes a detriment on the contract-breaker out of all proportion to any legitimate interest of the innocent party in the enforcement of the primary obligation. The innocent party's legitimate interest, they explained, may run beyond a pecuniary pre-estimate of loss and into its wider interest in performance, and a clause falls only where its adverse impact significantly exceeds that interest, that is, where it is exorbitant or unconscionable.

5. Cavendish Square Holding BV v. Talal El Makdessi, [2015] UKSC 67 : [2016] AC 1172; the test as set out in BPL, paras 75-77, and adopted at paras 72-90, with its acceptance in Australia (Andrews v. Australia and New Zealand Banking Group Ltd., (2012) 247 CLR 205) and other jurisdictions noted at para 81; and Lordsvale Finance Plc v. Bank of Zambia, [1996] QB 752.

Adopting that approach, the Court held that an agreed enhanced rate of interest on default does not fall within Section 74 as a penalty at all, and is to be given effect according to the parties' intention unless it is unconscionable or fraudulent.[6] On unconscionability the Court set a high bar, drawn from its older equity cases: it arises only where one party was in a position to dominate the will of the other and used that position to obtain an unfair advantage, and where the bargain is itself unconscionable. People who choose with their eyes open are held to their bargain. The operative line is unqualified: the principle of unconscionability is inapplicable to voluntary commercial agreements between parties of equal bargaining strength.

6. BPL, para 128 (unconscionability requires a position to dominate the will and an unfair advantage, the bargain itself being unconscionable) and para 136 (the principle inapplicable between equals); appeals dismissed, para 137.

The appellant's chief authority did not survive the analysis.[7] *Central Bank of India v. Ravindra*, on which BPL had placed strong reliance against penal and compounded interest, was distinguished: its strictures, the Court held, apply only to non-corporate borrowers, and one of its own sub-holdings in fact upholds the capitalisation of interest on periodical rests where that is voluntarily agreed in a commercial contract, which told against BPL rather than for it. The contra proferentem argument fared no better, the Court holding that the rule has little place in a bilateral, negotiated commercial contract between equals.

7. Central Bank of India v. Ravindra, (2002) 1 SCC 367, distinguished in BPL at para 135 (confined to non-corporate borrowers; its sub-holding upholds capitalisation of interest on periodical rests where voluntarily agreed).

The shift the decision works on Section 74 is real. The genuine pre-estimate test of *Fateh Chand* and *Kailash Nath* asks whether the stipulated sum approximates the loss; the Cavendish test asks whether it is proportionate to a legitimate interest, which may extend well past the loss. The two questions are not the same and can give opposite answers, as they did here: a default rate that is no pre-estimate of loss, and would have been read down on the older test, survived because it was proportionate to a legitimate commercial interest. The Court did not declare *Fateh Chand* or *Kailash Nath* overruled, and it framed its reasoning as resting on party autonomy and on the commercial character of the bargain. A later Bench may confine Cavendish to interest clauses between equals. For now the centre of gravity of Section 74 has moved from compensation to commercial justification.[8]

8. The genuine pre-estimate test (Fateh Chand; Kailash Nath Associates v. DDA, (2015) 4 SCC 136) was

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For the draftsman the consequences are concrete. A default or stepped interest clause between commercial parties is now strongly enforceable, provided the higher figure can be tied to a legitimate interest in performance and is not extravagant; recording that rationale in the contract, as the withdrawal of a concession granted for timely payment, gives a court the material to uphold it. The older drafting reflex, to justify the figure as an estimate of likely loss, is no longer necessary between equals and may understate the protection now available. Two limits remain. The latitude is built for arm's-length bargains between parties of equal standing, so where bargaining power is unequal, or the clause sits in a standard form imposed on a weaker party, the reasonableness check under Section 74 and the language of unconscionability return. And the rate must still answer to proportionality: a figure so high that it is exorbitant or oppressive, rather than a price for real commercial risk, remains open to challenge even between equals.

not formally overruled; the Court rested on party autonomy and the Cavendish 'legitimate interest' standard (paras 72-81, 136).

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FEATURE · ANALYSIS

A man-made lake, and the long reach of the public trust

By the Vertari Legal Litigation Team

Holding that an artificial lake is not a 'wetland' under the 2017 Rules, the Court still brought it within the public trust doctrine and the precautionary principle. The statutory carve-out was read narrowly; the common-law duty was read widely, and the gap between them is where the case earns its interest.

The Wetlands (Conservation and Management) Rules, 2017, framed under the Environment (Protection) Act, 1986, protect wetlands and restrict construction in and around them.[9] The definition of 'wetland' in Rule 2(1)(g) carries a deliberate carve-out: it excludes human-made waterbodies built for purposes such as drinking water, irrigation and recreation. That drafting choice is a considered one, leaving artificial tanks and reservoirs outside the statutory regime. The question in *Swacch Assn.* was whether a man-made lake could be brought within the Rules in spite of that exclusion, and, if not, what protection the law still owed it.

The dispute concerned Futala Lake in Nagpur, a waterbody created in 1799 by damming a stream, within and around which the civic authorities had built a set of recreation works, among them a musical fountain, a viewers' gallery and a large artificial banyan tree used as a screen for a show.[10] An environmental association challenged the works as a violation of the Rules and of the public trust, and sought their removal. The Bombay High Court declined to order demolition, but directed the authorities to respect the spirit of the Rules and to avoid permanent construction. The association carried the matter to the Supreme Court.

A three-Judge Bench led by the Chief Justice dismissed the appeal, and its reasoning runs on two levels that pull in different directions.[11] On the statute, the Court read the carve-out at face value. Futala Lake, being man-made and built for purposes the definition excludes, was held to fall outside the meaning of 'wetland' in Rule 2(1)(g), so the prohibitions in Rule 4 did not bind it of their own force. Had the analysis stopped there, the works would have been beyond the reach of the wetlands regime altogether.

It did not stop there. The Court held that the public trust doctrine extends even to man-made or artificially created waterbodies that are drawn from natural resources, and that the precautionary principle, together with the spirit of the Rules, continued to bind the authorities. The doctrine, traced to *M.C. Mehta v. Kamal Nath*, casts the State as trustee of natural resources for the public, and the Court read it widely enough to gather in an artificial lake the statute had deliberately left out. On the facts the structures were held not to be permanent, to carry the required clearances, and to occupy only a small fraction of the lake, so the High Court's balance was upheld.

The interest of the decision lies in the join between its two halves. The statutory definition excludes a man-made waterbody on purpose; the public trust doctrine then reaches it anyway,

9. Wetlands (Conservation and Management) Rules, 2017, r. 2(1)(g) (definition; carve-out for human-made waterbodies) and r. 4 (restrictions); Environment (Protection) Act, 1986.

10. Swacch Assn. v. State of Maharashtra, (2026) 2 SCC 759 : 2025 SCC OnLine SC 2144 : 2025 INSC 1199; on appeal from the Bombay High Court (Nagpur Bench), judgment dated 30 November 2023.

11. Id. (B.R. Gavai, C.J., K. Vinod Chandran and N.V. Anjaria, JJ.; decided 7 October 2025): Futala Lake outside the 'wetland' definition (paras 22-24); the public trust doctrine extends to man-made waterbodies (para 39), applying M.C. Mehta v. Kamal Nath, (1997) 1 SCC 388; the precautionary principle (para 32); the structures not permanent (paras 16-17); appeal dismissed, para 41.

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and brings with it the precautionary principle and the 'spirit' of the very Rules the Court had just held inapplicable. The effect is to restore through the common law much of the protection the statute withheld, which raises a fair question about the limits of the move: if the public trust and the precautionary principle apply to an artificial lake regardless of the statutory carve-out, the carve-out does less work than its drafters may have intended. The Court did not map where the doctrine stops, and that silence is the ground on which future disputes over artificial waterbodies will be argued.

For developers and civic bodies the lesson is twofold. An artificial waterbody built for drinking water, irrigation or recreation sits outside the Wetlands Rules, so the statutory prohibitions do not bind directly, and a project on such a site need not clear the Rule 4 thresholds as a matter of statute. The protection does not disappear, though. The public trust doctrine and the precautionary principle still require that permanent construction and ecological harm be avoided, and the weight the Court gave to the unchallenged heritage approvals, the environmental management plans and the temporary, removable character of the structures shows what carries such a project through. A foundationally embedded structure, or one built without those clearances, would have a harder passage.

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ARBITRATION · CASE NOTE

MMTC Ltd. v. Anglo American Metallurgical Coal (P) Ltd.

(2026) 3 SCC 99 : 2025 SCC OnLine SC 2328

K.V. Viswanathan and Sanjay Kumar, JJ. · decided 3 November 2025

> *An arbitral award that has run the gauntlet up to the Supreme Court cannot be reopened when the time comes to enforce it: an objection in execution lies only if the award is a nullity, not because the loser now alleges fraud.*

An arbitral award, once it survives challenge under Section 34 and any appeal under Section 37, is enforced under Section 36 of the Arbitration Act as if it were a decree of the court.[12] At that stage the judgment-debtor sometimes raises objections under Section 47 of the Code of Civil Procedure, the provision that lets an executing court decide questions about the execution of a decree. The recurring question is how wide that door is, and whether a losing party may use Section 47 to resist enforcement of an award it has already lost on the merits.

12. Arbitration and Conciliation Act, 1996, s. 36 (enforcement); Code of Civil Procedure, 1908, s. 47 (questions for the executing court).

The dispute was long-running. *Anglo American* held an award of about USD 78 million against *MMTC* for coal it was not allowed to lift, and that award was restored by the Supreme Court in 2020 after the Delhi High Court had set it aside.[13] Years later, having deposited over a thousand crore rupees, MMTC sought to stall execution by alleging that its own former officers had colluded in the underlying contract, and filed objections under Section 47 with an application to stay execution. MMTC argued that fraud practised on the arbitral process rendered the award inexecutable and that Section 47 was the proper vehicle to say so; Anglo American answered that the objection was not maintainable, the award having been affirmed up to this Court, and that execution could not be turned into a fresh trial of the merits. The High Court rejected the objections, and MMTC appealed.

13. The merits round: MMTC Ltd. v. Anglo American Metallurgical Coal (P) Ltd., (2020) 15 SCC 1 (award restored).

The Court dismissed the appeal and confined Section 47 to a narrow compass.[14] An objection in execution, it held, lies only where the award or decree is a nullity, suffering from a jurisdictional defect or otherwise void, and not where it is said to be merely erroneous in fact or law. Fraud that corrupts the arbitral or judicial process may render an award void; fraud committed inside a corporation by its own officers, raised years after the event and resting on an FIR and a preliminary investigation, does not. An executing court cannot go behind a decree, and finality would mean little if a defeated party could reopen the merits under the guise of execution.

For award-holders the decision is a reassurance that enforcement is not a fresh round of litigation. For a judgment-debtor the message is that fraud must be pleaded early and proved with cogent evidence, and that a belated, internal allegation backed by a pending investigation will not hold up payment. The Court added a caution against judging old commercial decisions by hindsight, mindful of the chilling effect on administrators that the opposite course would invite.

14. MMTC Ltd. v. Anglo American Metallurgical Coal (P) Ltd., (2026) 3 SCC 99 : 2025 SCC OnLine SC 2328 : 2025 INSC 1279, paras 20-23 (K.V. Viswanathan and Sanjay Kumar, JJ.; decided 3 November 2025): an objection under Section 47 lies only against a nullity, and the executing court cannot go behind the decree (para 23); the caution on a 'chilling effect', para 98; appeal dismissed, para 99. Applying Vasudev Dhanjibhai Modi v. Rajabhai Abdul Rehman, (1970) 1 SCC 670, and Electrosteel Steel Ltd. v. Ispat Carrier (P) Ltd., 2025 INSC 525.

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CUSTOMS · CASE NOTE

Adani Power Ltd. v. Union of India

(2026) 3 SCC 143 : 2026 SCC OnLine SC 11

Aravind Kumar and N.V. Anjaria, JJ. · decided 5 January 2026

> *Electricity generated in a Special Economic Zone and supplied to the domestic area is not an import, and a customs duty introduced through the back door of an exemption notification cannot stand: the amounts collected must be refunded.*

Customs duty is a tax on import, and the charge is fixed by Section 12 of the Customs Act, 1962 on goods brought into India.[15] Goods moved from a Special Economic Zone into the domestic tariff area are treated under the SEZ Act as if imported, so a question of duty can arise. Imported electrical energy, however, has long carried a nil rate, so electricity moved from a zone to the domestic area bore no separate customs duty.

15. Customs Act, 1962, ss. 12 (charge) and 25 (exemption); Special Economic Zones Act, 2005, s. 30; Constitution of India, Art. 265.

Adani Power runs a large thermal plant inside the Mundra SEZ and supplies part of its output to buyers in the domestic area.[16] From 2010 the Centre sought to levy customs duty on that electricity through a series of notifications that, in substance, created a charge where none had existed. The company paid under protest and asked for a refund. The Gujarat High Court had struck the levy down in 2015, but a later Bench in 2019 declined the refund, reading the earlier ruling narrowly, and that refusal came up to the Supreme Court. Adani Power argued that the 2015 declaration governed the later periods too, so the refund followed as of right; the Union answered that the 2015 ruling was confined to the first notification and that the successor notifications, never separately struck down, continued to bind.

16. Customs Notifications Nos. 25/2010-Cus., 91/2010-Cus. and 26/2012-Cus.; the Gujarat High Court had earlier struck down the levy, 2015 SCC OnLine Guj 6720.

The Court allowed the appeal and held the levy to be without authority of law.[17] Electricity generated within India and wheeled into the domestic area is not, in truth, an import, so there was no taxable event under Section 12; the SEZ provision that creates parity is not itself a charging provision. The power to grant an exemption under Section 25 is not a power to tax, and the executive cannot enlarge the field of taxation by a subordinate notification dressed as an exemption. Since the statutory position had not changed, re-issuing the levy at a different rate did not cure the want of authority, and a coordinate Bench could not whittle down the earlier declaration. Article 265 forbids a tax without authority of law, and the money collected had to be returned.

17. Adani Power Ltd. v. Union of India, (2026) 3 SCC 143 : 2026 SCC OnLine SC 11 : 2026 INSC 1 (Aravind Kumar and N.V. Anjaria, JJ.; decided 5 January 2026): no taxable event under Section 12 (paras 60-61); the power to exempt is not a power to tax (para 55); the coordinate-bench discipline that 'the law cannot change with the change of the Bench' (para 78); restitution (para 87) and refund within eight weeks (para 90); appeal allowed, para 89. Relying on State of U.P. v. Ajay Kumar Sharma, (2016) 15 SCC 289.

Producers in a zone who paid this duty under protest have a clear refund entitlement, ordered here within eight weeks. The wider lesson for revenue practice is that an exemption notification cannot be used as a charging instrument, and that a taxpayer need not separately challenge every successor notification once the foundational levy has been declared ultra vires. The Court left it open to Parliament to enact a proper charge for the future, so the position could change prospectively by statute.

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PROPERTY & REGISTRATION · CASE NOTE

K. Gopi v. Sub-Registrar

(2026) 2 SCC 696 : 2025 INSC 462

Abhay S. Oka and Ujjal Bhuyan, JJ. · decided 7 April 2025

> *A registering officer cannot refuse to register a sale deed on the ground that the seller has not proved his title: a State rule that demanded proof of title as a condition of registration has been struck down as beyond the Registration Act.*

Registration of a document under the Registration Act, 1908 is a ministerial act, not an adjudication of title.[18] When a deed is presented, the executant admits execution, the stamp duty and fee are paid, and the registering officer registers it; the registration transfers only such rights as the executant actually has, and confers no title that he lacks. The Act lists the limited situations in which registration may be refused, in Sections 22-A and 22-B, and proof of the vendor's title is not among them.

The appellant presented a sale deed for registration in Tamil Nadu, and the Sub-Registrar refused, demanding proof that the vendor held title, since the appellant's claim traced to an unregistered will.[19] The Madras High Court upheld the refusal, relying on Rule 55-A of the Tamil Nadu Registration Rules, which made production of the prior title deed and an encumbrance certificate a precondition to registration. The appellant argued that a registering officer has no authority to sit in judgment over the vendor's title, and that Rule 55-A was beyond the parent Act; the State defended the rule as a safeguard against fraudulent and benami transactions. The appellant challenged the validity of the rule before the Supreme Court.

The Court struck Rule 55-A(i) down as ultra vires the Act.[20] No provision of the 1908 Act, it held, allows an authority to refuse registration because the documents of title are not produced or the title is not established; the registering officer has no power to decide whether the executant has title at all. The rule-making power in Section 69 may be used only to make rules consistent with the Act, and a rule that conferred a title-checking function the Act withholds was inconsistent with it. A subordinate rule cannot enlarge the statute under which it is made.

A registrar may not turn the counter into a court of title. For conveyancing the point is practical: a refusal to register for 'title not established' is bad in law, and a buyer's due diligence on title, though prudent, is not a registration gateway. Title disputes belong to the civil court, and registration neither cures a defective title nor is the place to test one. States cannot, by rules made under Section 69, add to the grounds on which registration may be refused.

18. Registration Act, 1908, ss. 22-A, 22-B (grounds for refusal) and 69 (rule-making power).

19. Tamil Nadu Registration Rules, Rule 55-A(i) (production of the prior title deed and an encumbrance certificate as a precondition); impugned judgment of the Madras High Court dated 20 March 2024.

20. K. Gopi v. Sub-Registrar, (2026) 2 SCC 696 : (2026) 1 SCC (Civ) 221 : 2025 INSC 462, paras 18 and 20 (Abhay S. Oka and Ujjal Bhuyan, JJ.; decided 7 April 2025): the registering officer is not concerned with the executant's title (para 18); Rule 55-A(i) is inconsistent with the Act and beyond the rule-making power in Section 69 (para 20); appeal allowed, para 23.

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COMPANY LAW · CASE NOTE

Shailja Krishna v. Satori Global Ltd.

(2026) 2 SCC 706 : 2025 SCC OnLine SC 1889

Dipankar Datta and K. Vinod Chandran, JJ. · decided 2 September 2025

> *The company tribunal hearing an oppression petition can decide the fraud and the validity of the share transfer at the heart of it, and need not send the parties to a civil suit: jurisdiction over what is incidental to the complaint is wide.*

A complaint of oppression and mismanagement is brought under Sections 397 and 398 of the Companies Act, 1956, now Sections 241 and 242 of the 2013 Act, before the company tribunal.[21] A familiar objection is that where the petition turns on a disputed question of fraud or the validity of a share transfer, the tribunal should stay its hand and relegate the parties to a civil suit, since such questions need a full trial. The scope of the tribunal's jurisdiction over those incidental questions was the issue here.

21. Companies Act, 1956, ss. 397, 398, 399 and 402; cf. Companies Act, 2013, ss. 241 and 242.

The appellant, who had held about 98% of a closely held family company, alleged that she had been coerced into resigning and into gifting her entire shareholding to her mother-in-law on a single day, and that board meetings removing her had been held without notice or quorum.[22] She argued that the coerced gift and transfer could be undone by the tribunal as part of the oppression petition; the respondents answered that allegations of fraud, forgery and coercion required a civil trial and lay outside the tribunal's summary jurisdiction. The NCLT found in her favour, set aside the gift and the transfer, and restored her. The NCLAT reversed, holding that the tribunal could not decide allegations of fraud and coercion and that she should have sued in a civil court to cancel the gift deed.

22. Procedural history: NCLT allowed the petition; NCLAT set it aside on jurisdiction (common judgment dated 2 June 2023).

The Court restored the NCLT and set the appellate order aside.[23] The tribunal, it held, has a wide jurisdiction to decide all matters incidental or integral to a complaint of oppression and mismanagement, subject only to a statute that specifically takes the question away from it. Because the validity of the gift deed was central to the oppression alleged, the tribunal had full jurisdiction to decide it, against the Act, the articles and the memorandum. The object of the jurisdiction is to bring the matters complained of to an end, not to fragment the dispute, and an allegation of fraud is not a passport to a civil court.

An ousted shareholder can pursue the whole dispute, including forged or coerced transfers and void board resolutions, inside a single oppression petition, without a parallel suit. Respondents can no longer defeat such a petition by labelling its core issue 'fraud' to push it elsewhere. Two practical points survive: a gift outside the class of transferees permitted by the articles is unenforceable, and board meetings held without notice or quorum are void, so a pattern of such defects can itself establish oppression. The tribunal's finding on the instrument binds for company-law purposes, though collateral civil consequences may still go to a civil court.

23. Shailja Krishna v. Satori Global Ltd., (2026) 2 SCC 706 : 2025 SCC OnLine SC 1889 : 2025 INSC 1065, para 30 (Dipankar Datta and K. Vinod Chandran, JJ.; decided 2 September 2025): wide jurisdiction over matters incidental or integral to the complaint, subject to a statute specifically debarring it; the object is to bring the matters complained of to an end (para 29); jurisdiction to decide the gift deed (para 31); appeals allowed and the NCLT restored, para 57. Relying on Sangramsinh P. Gaekwad v. Shantadevi P. Gaekwad, (2005) 11 SCC 314, and Tata Consultancy Services Ltd. v. Cyrus Investments (P) Ltd., (2021) 9 SCC 449.

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INSURANCE & MOTOR VEHICLES · CASE NOTE

Hind Samachar Ltd. v. National Insurance Co. Ltd.

(2026) 2 SCC 773 : 2025 INSC 1204

K. Vinod Chandran and N.V. Anjaria, JJ. · decided 8 October 2025

> *An insurer cannot recover the compensation it pays from the vehicle owner merely because the driver turns out to hold a fake licence: it must prove the owner knew, or failed in reasonable diligence, before the right to recover arises.*

Under the Motor Vehicles Act, 1988 an insurer must satisfy a third-party award even where it has a defence against its own insured, and is then sometimes allowed to 'pay and recover', paying the victim and recovering the sum from the owner.[24] One ground for recovery is breach of the policy condition that the driver hold a valid licence. The question that recurs is what the owner must show when the driver's licence later turns out to be fake.

A truck owned by the appellant company was in a collision that killed nine and injured two, and the driver's licence was alleged to be fake.[25] The owner argued that it had inspected a licence valid on its face and owed no duty to verify it with the issuing authority; the insurer argued that the fake licence, and the owner's own production of it in court, pointed to collusion and a breach of the policy condition. The High Court inferred collusion and granted the insurer a pay-and-recover direction against the owner. The owner appealed on that direction alone.

The Court set the recovery direction aside.[26] An owner is expected only to see that the licence the driver produces is, on its face, valid, and is not required to verify its genuineness with the licensing authority. The burden lies on the insurer to show, from the circumstances, that the owner knew the licence was fake or failed in reasonable diligence when employing the driver or entrusting the vehicle. Producing the licence in court evidences diligence, not collusion, and the driver's silence, explicable by the criminal case against him, could not be held against the owner. On the facts the insurer had shown no such breach.

The right to recover is exceptional, not automatic. An owner who inspects a facially valid licence has done his duty, and a fake licence alone will not shift the loss back to him. Insurers must plead and prove both that the licence was fake and that the owner knowingly permitted it or was careless, and an inference of collusion drawn from the owner's own production of the document will not do. The decision follows the line from Swaran Singh and Pepsu Road Transport, and the more recent caution against routine pleas of 'no due diligence'.

24. Motor Vehicles Act, 1988, ss. 147 and 149 (the insurer's obligation and defences; the 'pay and recover' mechanism).

25. Claims arising from an accident on 26 January 1993; composite negligence apportioned 75:25 by the Tribunal.

26. Hind Samachar Ltd. v. National Insurance Co. Ltd., (2026) 2 SCC 773 : (2026) 1 SCC (Civ) 114 : 2025 INSC 1204 (K. Vinod Chandran and N.V. Anjaria, JJ.; decided 8 October 2025): an owner need only see that the licence is, on its face, valid and is not required to verify it with the authority (para 16); the burden is on the insurer to show the absence of due diligence (para 17); the recovery direction set aside (para 18); appeals allowed, para 19. Following National Insurance Co. Ltd. v. Swaran Singh, (2004) 3 SCC 297, and Pepsu Road Transport Corpn. v. National Insurance Co. Ltd., (2013) 10 SCC 217.

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STATUTE & POLICY WATCH

On the radar

Beyond the fortnight's judgments, the statutes, rules and deadlines every practitioner should have on the calendar this quarter.

GSTAT: the backlog window closes on 30 June

The GST Appellate Tribunal began hearing matters on 16 February 2026, and 30 June 2026 is the absolute last date to file appeals against first-appellate or revisional orders communicated before 1 April 2026, with no further relaxation promised.[27] With under a fortnight to run, any client holding an appealable order under Section 112 of the CGST Act should be filing now rather than testing the limits of condonation.

The DPDP compliance clock has started

The Digital Personal Data Protection Rules, 2025, notified under the 2023 Act in November 2025, are rolling out in phases: registration of Consent Managers by November 2026, and the substantive duties on notice, security, breach reporting and Significant Data Fiduciaries by May 2027.[28] The lead time is deceptive, so any business handling personal data at scale should begin its data-mapping and gap analysis this quarter.

The Income-tax Act, 2025 in its first filing year

The Income-tax Act, 2025 replaced the 1961 Act from 1 April 2026 and governs the tax year 2026-27, trimming the statute to 536 sections and replacing 'previous year' and 'assessment year' with a single 'tax year'; the CBDT has notified the Income-tax Rules, 2025, and the four labour codes brought into force in November 2025 are moving towards their final rules in parallel.[29] References, forms and clause numbers should be re-pointed to the 2025 Act before the first returns fall due.

27. Final date of 30 June 2026 for appeals to the GSTAT against orders communicated before 1 April 2026; CGST Act, s. 112. Report: Business Standard, 25 September 2025. https://www.business-standard.com/economy e-filing-appeals-staggered-schedule-deadlines-2026-125092500648_1.html

28. Digital Personal Data Protection Rules, 2025, notified by the Ministry of Electronics and Information Technology on 13 November 2025 under the Digital Personal Data Protection Act, 2023; phased implementation (Consent Manager registration by 13 November 2026; principal obligations by 13 May 2027). See EY India, 'Digital Personal Data Protection Rules, 2025'. https://www.ey.com/en_ data-privacy-digital-personal-data-protection-rules-2025

29. The Income-tax Act, 2025, brought into force from 1 April 2026; Press Information Bureau and Income Tax Department. https://www.pib.gov.in/ PRID=2221416 The labour codes were brought into force on 21 November 2025, draft Central Rules in December 2025.

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THE FORTNIGHTLY LEGAL REVIEW

A fortnightly survey of significant decisions of the Supreme Court of India, prepared by the team at Vertari Legal for general awareness and professional discussion. The purpose and scope of the Review are set out on the opening page. This is not legal advice.

SOURCES

SCC ONLINE (2026 SCC VOLS. 2-3) · CBIC AND THE GST COUNCIL · MINISTRY OF LABOUR AND EMPLOYMENT · INCOME TAX DEPARTMENT · PRS LEGISLATIVE RESEARCH

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