



ARBITRATION AND CONCILIATION

CIVIL

Transferee Pendente Lite and the Bar Under Order XXI Rule 102: Supreme Court's Affirmation of Lis Pendens in Money Decree Execution Proceedings

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The enforcement of arbitral awards and the realization of decrees represent the ultimate objective of any litigation, yet history demonstrates that the true difficulties of a litigant often commence only after obtaining a favorable adjudication. The Supreme Court of India, in its recent judgment in *R. Savithri Naidu v. M/s The Cotton Corporation of India Limited and Another*, delivered on February 12, 2026, arising out of Special Leave Petition (Civil) No. 19779 of 2024], has provided definitive clarification on the applicability of the doctrine of *lis pendens* to money decrees and the bar imposed by Order XXI Rule 102 of the Code of Civil Procedure, 1908 on transferees *pendente lite*. This significant ruling addresses the persistent challenge of judgment debtors attempting to defeat execution through strategic alienations of property, reaffirming the principle that procedural safeguards in execution proceedings must secure actual relief to decree-holders rather than merely formal declarations of rights.

The factual matrix of the case traces its origins to a commercial transaction entered into on January 22, 1998, when M/s Lakshmi Ganesh Textiles Limited, a public limited company subsequently incorporated as a private limited company on June 30, 2011, engaged in a sale agreement with The Cotton Corporation of India Limited, a government enterprise with its office at Ramanathapuram, Coimbatore, primarily engaged in the business of sale and purchase of cotton and cotton bales. The transaction involved the supply of cotton bales, and disputes arose regarding the recovery of the sale price. Consequently, the Cotton Corporation initiated arbitration proceedings in AP No. 9 of 1999, claiming recovery of Rs. 37,51,380/- together with interest and costs. The learned arbitrator, by award dated June 11, 2001, directed Respondent No. 2 to pay a sum of Rs. 26,00,572.90/- with future interest at 18% per annum and costs, thereby creating a binding obligation that would remain unrealized for over two decades.

Following the arbitral award, Respondent No. 2 filed AOP No. 10 of 2006 before the Court of Principal District Judge, Coimbatore, under Section 34 of the Arbitration and Conciliation Act, 1996, seeking to set aside the award. This challenge was dismissed on January 21, 2013, and the order attained finality as no appeal was preferred. The dismissal of the Section 34 application should have paved the way for smooth execution, yet the enforcement of the award encountered significant obstacles arising from the complex financial circumstances of the judgment debtor. Respondent No. 2 had availed credit facilities from ICICI Bank, and upon default, the bank-initiated recovery proceedings on November 11, 2013, under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, attaching various properties of the judgment debtor. This enforcement action by a secured creditor created the backdrop for the subsequent disputed transfer that formed the core of the present litigation.

The critical development occurred through a tripartite agreement negotiated between ICICI Bank, Respondent No. 2, and the Appellant, R. Savithri Naidu, who is the mother of the Managing Director of Respondent No. 2 and wife of an ex-director, and who had also served as a non-executive director of the company from 2007 onwards. This arrangement resulted in the execution of a registered sale deed dated April 23, 2015, whereby Respondent No. 2 transferred the EP Schedule Property to the Appellant. OA No. 120 of 2013, filed by ICICI Bank, was closed pursuant to this compromise evidenced by the tripartite agreement. The Appellant's acquisition of the property, ostensibly for valid consideration and through registered documentation, set the stage for the conflict with the decree-holder's execution rights.

The execution proceedings were initiated by the Cotton Corporation on July 16, 2019, when it filed EP No. 300 of 2019 before the Court of Principal District Judge, Coimbatore, for enforcing the arbitral award dated June 11, 2001. The execution petition was subsequently transferred to the Court of Principal District Judge, Tirupur. On August 19, 2021, the executing court ordered the conditional attachment of the EP Schedule Property to secure the realization of the award amount. The Appellant, asserting herself as a third-party stranger to the original arbitration, filed EA No. 141 of 2021 under Order XXI Rule 58 of the Code of Civil Procedure, 1908, praying for the removal of the attachment. She contended that through the registered sale deed dated April 23, 2015, she had become the absolute owner of the EP Schedule Property, having purchased it for valid consideration and crucially, without notice of the existing liability arising from the arbitral award. The chronology presented by the Appellant suggested that the sale deed (2015) preceded the execution petition (2019) and the attachment (2021), thereby establishing her priority as a bona fide purchaser.

The executing court, however, dismissed the claim petition by order dated January 3, 2022, holding that the Appellant was a transferee *pendente lite* and that her claim was hit by Rule 102 of Order XXI CPC. The court found that the non-production of the tripartite agreement, which was the genesis for discharging ICICI Bank's claim, enabled an inference that the sale in favour of the Appellant, even if for consideration, could not be without notice of the existing liability of the company. The Appellant carried the matter in revision before the Madras High Court in CRP No. 469 of 2022, but by the impugned order dated July 12, 2024, the High Court dismissed the revision and upheld the executing court's decision. This led to the filing of Special Leave Petition (Civil)

No. 19779 of 2024, which was granted leave and converted to the present civil appeal.

Before the Supreme Court, Mr. Gopal Sankaranarayanan, Senior Advocate, appearing for the Appellant, advanced substantial arguments challenging the characterization of his client as a transferee pendente lite. He contended that the Appellant was the absolute owner under the registered sale deed dated April 23, 2015, and that her property could not be attached to satisfy a money decree against the judgment debtor. The learned Senior Advocate emphasized that the Appellant could not be treated as a pendente lite purchaser because on the date of purchase, neither a suit nor legal proceeding was pending, the Section 34 challenge having been dismissed in 2013 and the execution petition being filed only in 2019. He further argued that the Appellant was an independent purchaser for consideration without notice, that the subject matter of arbitration was recovery of money rather than the immovable property itself, and therefore the attachment of her property was *ex facie* illegal. The chronological sequence, with the sale deed predating the execution petition and attachment, was presented as establishing the Appellant's priority and *bona fides*.

The Cotton Corporation, countered these arguments with equal vigor. They submitted that the Appellant's plea of purchase without notice was untenable given her relationship with the judgment debtor as the mother of the Managing Director and wife of an ex-director, and that the non-production of the tripartite agreement was crucial in indicating collusion. The learned counsel argued that the Appellant was a purchaser subsequent to the arbitral award of 2001, that the arbitration proceeding was instituted in 1999, and that the transfer in 2015 occurred after both the institution of the proceedings and the passing of the arbitral award, which by virtue of Section 36 of the Arbitration and Conciliation Act, 1996, was enforceable as a deemed decree. This characterization, she submitted, made the Appellant a transferee pendente lite/post-arbitral award purchaser squarely barred by Rule 102 of Order XXI CPC from resisting execution. The Respondent strongly relied on CMSA No. 13 of 2019 dated April 26, 2021 of the Madras High Court, which had been approved by the Supreme Court in *Danesh Singh and others v. Har Pyari (Dead) Thr. LRs.*, for the proposition that the principle of *lis pendens* under Section 52 of the Transfer of Property Act, 1882 could not, in terms, be excluded for money suits.

The Supreme Court, comprising Justice Pankaj Mithal and Justice S.V.N. Bhatti, approached the matter with careful consideration of the competing interests. At first glance, the Court observed, it appeared that a third party's property was being attached to realize a money decree, raising initial concerns about the propriety of the attachment. However, upon examining the record, the Court identified crucial circumstances that would inform its ultimate conclusion. From 1999 till 2013, arbitration proceedings were pending against Respondent No. 2, and from 2014 onwards, execution proceedings were pending. The transferee court, within whose jurisdiction the properties were situated, had ordered attachment for realization of the arbitral award dated June 11, 2001. The Appellant presented herself as a third-party stranger, but the Court declined to hastily conclude fraud between the Appellant and Respondent No. 2 in the transfer of the EP Schedule Properties.

The Court found that the non-production of the tripartite agreement, which was the genesis for discharging the claim of ICICI Bank, as had been rightly held by the executing court, enabled a safe conclusion that the sale in favour of the Appellant, even if for consideration, could not be without notice of the existing liability of the company. The recovery proceedings under the SARFAESI Act were independent and did not provide any shield of protection to other claims against the judgment debtor in default. The Court therefore rejected the argument that the sale in favor of the Appellant was without notice, finding that the circumstances, including the familial relationship and the failure to produce crucial documentation, negated the plea of *bona fide* purchase.

The central legal question before the Court was whether the sale in favor of the Appellant could be brought within the purview of *pendente lite*, given that the arbitral award was for the recovery of money rather than specific immovable property. The Court held that this question need not be treated as *res integra*, as the valid reasoning of the Madras High Court in CMSA No. 13 of 2019, affirmed by the Supreme Court in *Danesh Singh*, provided a complete answer. The operative portions of that judgment, which the Court quoted extensively, established that Section 52 of the Transfer of Property Act, 1882 does not state that it is not applicable to suits for recovery of money, and that the provision would not say so because the Explanation specifically states that the pendency of any suit continues until the suit or proceeding has been disposed of by a final decree or order and complete satisfaction or discharge of such decree or order has been obtained. The Madras High Court had highlighted that if Section 52 were read as always excluding money suits, despite a specific prayer in the plaint regarding attachment of property, a decree passed therein would be rendered meaningless, since the party would be free to alienate the property and there would be no property available to execute the money decree.

The Supreme Court's analysis of Order XXI Rule 102 CPC formed the analytical core of its judgment. The Court observed that the Rule explicitly states that the protections available to *bona fide* claimants under Rules 98 and 100 do not apply to a

transferee pendente lite, defined as someone to whom the property is transferred after the institution of the suit in which the decree was passed. The suit, that is, the arbitration proceeding, was instituted in 1999, and the Appellant purchased the property pursuant to the sale deed dated April 23, 2015. Since the transfer occurred after the institution of the proceedings and the passing of the award, the Appellant was a transferee pendente lite/post-arbitral award purchaser, and was barred by Rule 102 from resisting the execution. The Appellant's contrary argument, that the Section 34 challenge was dismissed in 2013 and the sale was in 2015 implying no litigation was pending, was rejected by the Court. The bar under Rule 102, the Court clarified, does not depend on the pendency of the Section 34 challenge, but on the fact that the transfer occurred after the institution of the suit in 1999 and after the arbitral award (deemed decree) came into existence in 2001.

The Court emphasized that a judgment debtor cannot defeat a decree by alienating the property after the decree is passed but before the decree is realized. The steps taken by the judgment debtor in this case were designed to defeat the very fruits of the money decree. The ratio of the Court in *Usha Sinha v. Dina Ram*, AIR 2008 SC 1997, was kept in perspective, where the Court had observed that Rule 102 is based on justice, equity and good conscience, that a transferee from a judgment-debtor is presumed to be aware of proceedings before a court of law, and that he should be careful before purchasing property which is the subject-matter of litigation. The Rule recognizes the doctrine of *lis pendens* recognized by Section 52 of the Transfer of Property Act, and takes into account the ground reality by refusing to extend helping hand to purchasers of property in respect of which litigation is pending. If unfair, inequitable or undeserved protection were afforded to a transferee pendente lite, a decree-holder would never be able to realize the fruits of the decree, as every time the decree-holder sought a direction from a court to execute the decree, the judgment-debtor or his transferee would transfer the property and the new transferee would offer resistance or cause obstruction.

The Court drew upon the well-worn proverb in litigation, echoing the Privy Council's century-old observation in *General Manager of the Raj Durbhunga v. Coomar Ramaput Singh*, (1871-72) 14 MIA 605, that the true difficulties of a litigant begin only after they have obtained a decree. It is generally stated that a suit may take five years to conclude, but its execution takes ten years. Order XXI of the CPC was comprehensively amended in 1976 specifically to cure this mischief, operating as a self-contained code that strictly bars separate suits under Section 47, Rule 92(3), and Rule 101, and imposes rigid limitation periods for raising objections. If the argument of the Appellant were accepted, allowing pendente lite purchasers or third parties to bypass these strict procedural safeguards and institute separate suits or raise belated objections long after the execution processes like attachment and sale have advanced, it would completely derail the statutory machinery. Judgment-debtors would be incentivized to systematically defeat decrees by transferring properties or planting surrogate objectors to initiate endless collateral litigation. Consequently, execution proceedings would not merely take ten years, but would get trapped in an infinite loop and practically never get completed, reducing the hard-won decrees of competent courts to mere paper decrees.

The Court emphasized in *Jini Dhanrajgir v. Shibu Mathew*, (2023) 20 SCC, that winning a case is meaningless unless the winner actually gets the relief they sought. The legal system requires a shift in mindset: the goal should not just be to dispose of cases, but to ensure that the litigant enjoys the reliefs. The provisions in the CPC must be employed to secure actual relief, not just a formal decree. The Court must ensure that the legal process results in justice not just appearing to be done, but justice actually being done.

In its final determination, the Supreme Court noted that the Appellant is a purchaser post-arbitral award for recovery of money, that the execution proceeding was pending when the sale deed was entered into between Respondent No. 2 and the Appellant, that the Appellant failed to discharge the onus on the sale being without notice of the existing claim, and that the arbitral award remains unrealized till date. Therefore, in the circumstances of the case, and by following the ratio in *Danesh Singh*, the Court held that the claim petition of the Appellant was rightly dismissed by the courts below. The Court agreed with the impugned order, and the Civil Appeal was dismissed. The executing court was directed to dispose of the Execution Proceedings within two months from the date of the judgment. No order as to costs was made, and pending applications, if any, were disposed of.

In conclusion, the Supreme Court's judgment in *R. Savithri Naidu v. M/s The Cotton Corporation of India Limited* establishes definitive principles regarding the applicability of the doctrine of *lis pendens* to money decrees and the bar on transferees pendente lite under Order XXI Rule 102 CPC. By holding that the pendency of proceedings for Rule 102 purposes commences with the institution of the original suit or arbitration and continues until complete satisfaction of the decree, regardless of the dismissal of challenge proceedings, the Court has closed a potential loophole that judgment debtors might exploit to defeat execution. The judgment's emphasis on the non-excludability of *lis pendens* from money suits, its recognition of the presumption of notice for purchasers from judgment debtors, and its prioritization of actual relief over formal decrees, collectively strengthen the execution framework and protect the rights of decree-holders. The Court's integration of policy considerations regarding the

efficiency of execution proceedings, its reliance on established precedents from the Privy Council to contemporary decisions, and its practical direction for expeditious disposal of the execution proceedings, demonstrate a holistic approach to execution jurisprudence. This ruling will serve as a significant deterrent against collusive transfers designed to frustrate decrees and will ensure that the fruits of litigation are actually realized by successful litigants, thereby upholding the integrity of the judicial process and maintaining public confidence in the efficacy of legal remedies.

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