



CIVIL

Avoiding Pitfalls: Understanding Partial Acknowledgment and Section 18 of the Limitation Act

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Introduction:

In the intricate landscape of debt and recovery, the Indian legal system provides specific timeframes within which legal action must be initiated. These timeframes, governed by the Limitation Act, 1963, are crucial for ensuring the finality of disputes and preventing the revival of stale claims. Among its pivotal provisions is Section 18, which allows for the extension of a limitation period under certain conditions. While often perceived as a lifeline for creditors, its precise application, particularly concerning partial acknowledgments of debt, has recently been clarified by the Supreme Court. This article delves into the core tenets of Section 18, emphasizing why a mere acknowledgment of a fraction of the debt does not extend the limitation for the entire claim.

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The Essence of Limitation and Section 18

The Limitation Act, 1963, is founded on two fundamental legal maxims:

1. *Interest reipublicae ut sit finis litium*: It is in the public interest that there should be an end to litigation.
2. *Vigilantibus non dormientibus jura subveniunt*: The law assists those who are vigilant, not those who sleep over their rights.

These principles are not mere aphorisms; they underpin the very structure of civil justice in India, mandating that legal remedies must be pursued within statutorily prescribed periods. Failure to adhere to these timelines, as dictated by Section 3 of the Act, results in the extinguishment of the right to enforce a claim in court, regardless of the claim's intrinsic merit. The Act thus serves as a bulwark against stale demands and promotes legal certainty in commercial and personal dealings.

Section 18, titled "Effect of acknowledgment in writing," acts as a crucial statutory mechanism. It offers a precise pathway to create a fresh period of limitation, effectively resetting the legal clock, but critically, only when specific conditions precedent are rigorously fulfilled.

Section 18(1) "Where, before the expiration of the prescribed period for a suit or application in respect of any property or right, an acknowledgment of liability in respect of such property or right has been made in writing signed by the party against whom such property or right is claimed, or by any person through whom he derives his title or liability, a fresh period of limitation shall be computed from the time when the acknowledgment was so signed."

A meticulous analysis of this statutory language reveals the following non-negotiable prerequisites:

1. **Before Expiration of Prescribed Period:** The acknowledgment must be unequivocally executed prior to the expiry of the original prescribed period for the concerned suit or application. An acknowledgment made after a claim has already become time barred under the Act does not, as a general rule, serve to revive it under Section 18. Such revival, if at all possible, would typically fall under the distinct legal framework of a fresh promise to pay a time-barred debt, as stipulated by Section 25(3) of the Indian Contract Act, 1872.
2. **Acknowledgment of Liability:** There must be a clear and unambiguous "acknowledgment of liability" in respect of the property or right being claimed. This necessitates more than a mere factual admission; it requires an admission of an existing jural relationship (e.g., debtor-creditor, mortgagor-mortgagee) and a clear intention to admit such a subsisting obligation.
3. **Formal Prerequisite (In Writing and Duly Signed):** The acknowledgment is statutorily mandated to be "in writing" and "signed by the party against whom such property or right is claimed, or by any person through whom he derives his title or liability." The absence of either a written document or a valid signature renders the purported acknowledgment legally ineffective for the purposes of Section 18. While Section 18(2) permits the adducing of oral evidence to ascertain the date of an undated written acknowledgment, it strictly prohibits such evidence to established the contents of the acknowledgment.

The successful fulfilment of these cumulative conditions triggers the pivotal consequence: a fresh period of limitation is computed from the exact moment the acknowledgment was so signed, effectively resetting the statutory clock for pursuing that specific liability.

Why Partial Acknowledgment Doesn't Extend Limitation for the Entire Claim?

The core legal principle that underpins the recent Supreme Court clarification, and which has been consistently applied by various High Courts, unequivocally states that an acknowledgment of a partial debt only extends the limitation period for that specifically acknowledged portion, and not for the entire, broader claim. This interpretation is meticulously rooted in both statutory construction and the fundamental objectives of limitation jurisprudence:

- **Specificity of Liability:** Section 18 refers to “acknowledgment of liability in respect of such property or right.” If a debtor explicitly acknowledges only a specific sum, that acknowledgment relates only to that specific sum. It does not implicitly extend to other disputed or unacknowledged components of a broader claim.
- **No Presumption of Full Liability:** The law does not presume that by acknowledging a small part of a claim, the debtor is implicitly admitting the entirety of the creditor's unproven or disputed demands. Each distinct component of a claim must either fall within its original limitation period or be specifically acknowledged for that period to be extended.
- **Preventing Indefinite Revival:** Allowing a partial acknowledgment to revive an entire, often much larger, claim would go against the very essence of limitation law, which seeks to bring finality to legal disputes. It would create uncertainty and open the door to resurrecting claims for which no clear admission of liability was ever made.
- **Burden of Proof:** The burden lies on the party asserting the acknowledgment to prove that it relates to the entire debt claimed. A partial acknowledgment only discharges this burden for the admitted amount.

Case Law: The recent pronouncement by the Supreme Court of India in *M/s. Airen and Associates v. M/s. Sanmar Engineering Services Limited*^[1] serves as a quintessential illustration of these principles.

- **Facts of the Case:** The appellant, M/s. Airen and Associates, sought to recover a significant sum of Rs. 3,07,115.85 from the debtor, M/s. Sanmar Engineering Services Limited. However, the debtor acknowledged only a much smaller portion of this debt, specifically Rs. 27,874.10. The core contention before the courts was whether this partial acknowledgment would extend the limitation period for the entire claimed amount.
- **Journey through Courts:** The trial court initially dismissed the appellant's suit on grounds of limitation for the larger unacknowledged sum. The Chhattisgarh High Court, while allowing the claim for the acknowledged amount, affirmed that Section 18 benefit could not be extended to the unacknowledged portion.
- **Supreme Court's Affirmation:** The Supreme Court upheld the decisions of the lower courts and meticulously examined the provisions of Section 18 and the arguments presented. Their key observations revolved around the necessity of a clear and unambiguous acknowledgment that pertains to the entire liability claimed. The Court emphasized that the purpose of Section 18 is not to revive a dead claim without a clear admission of the outstanding debt. It noted that for a fresh period of limitation to commence, the acknowledgment must be of the specific liability for which the suit is brought. If only a part of the debt is acknowledged, the extension of limitation would, by logical extension, be confined only to that acknowledged portion. Furthermore, the Court referred to and relied upon its previous judgment in *J.C. Budhraj v. Chairman, Orissa Mining Corporation Ltd. & Anr*^[2]. This earlier ruling had already established that an acknowledgment of debt extends the limitation period only for the admitted sum and not for any unacknowledged or disputed balance. The present judgment reaffirmed this established legal position.
- **Judgment:** The Apex Court upheld the decision of the Chhattisgarh High Court. The Apex Court unequivocally ruled that while M/s. Airen and Associates was entitled to recover the admitted amount of Rs. 27,874.10, the benefit of Section 18 of the Limitation Act could not be extended to the unacknowledged and larger portion of the debt amounting to Rs. 3,07,115.85. The judgment effectively means that the suit for the unacknowledged portion remained time-barred.

Conclusion

Section 18 of the Limitation Act is a powerful tool, but its application is precise. It serves to protect diligent creditors who obtain clear admissions of liability within the prescribed timeframes. The consistent judicial stand, reinforced by recent pronouncements, is that an acknowledgment must be a conscious and specific admission of the debt for which the limitation is sought to be extended. Partial acknowledgments are effective only for the specific portion of the debt admitted, serving as a crucial reminder for both creditors to seek comprehensive admissions and for debtors to be aware of the exact implications of their acknowledgments. The law favors vigilance, and in the context of debt, that vigilance extends to the precise wording and scope of any acknowledgment. **For more details, write to us at: contact@indialaw.in**

^[1] CIVIL APPEAL NO. 654/2015

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