



CIVIL

No Privity Of Contract, No Consumer Status Under Consumer Protection Act

AUTHOR Rahul Sundaram, Asav Rajan Arora

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Introduction

The Supreme Court of India in the matter of **M/s. Citicorp Finance (India) Limited vs. Snehasis Nanda^[1]** recently delivered a judgment clarifying the scope of the term “consumer” under the Consumer Protection Act, 2019. The Court overruled the final judgment and order of the National Consumer Dispute Redressal Commission (NCDRC) and held that a complainant must have a direct contractual relationship with the opposite party to be considered a “consumer” as defined in the Act. This decision has far-reaching implications for consumer law and the interpretation of contractual relationships in consumer disputes.

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Background of the Case

The case involved a dispute between the flat seller, Snehasis Nanda (Respondent), and Citicorp Finance (India) Limited (Appellant). The Respondent had already mortgaged the flat with ICICI Bank to obtain home loan facility for the said flat in the year 2006. Later, the Respondent sold the flat to Mr. Mubarak Vahid Patel (Buyer) vide a Memorandum of Understanding dated 09.02.2008 for sale of the flat.

The Buyer had availed home loan facility from Citicorp Finance and a Tripartite Agreement was entered into and between the Buyer, Respondent and Appellant. On 28.02.2008, the Buyer and the Appellant entered into a Home Loan Agreement. As the flat was already mortgaged with ICICI Bank, the Buyer requested the Appellant to disburse the loan amount to Respondent's ICICI Bank account, to secure the release of the flat. The Respondent filed a consumer complaint against Citicorp Finance (India) Limited, claiming that the financier had failed to pay the balance of the sale consideration.

The NCDRC allowed Nanda's complaint, directing Citicorp Finance to refund the balance amount along with interest and pay Rs. 1,00,000 as litigation costs. Citicorp Finance appealed this decision in the Supreme Court.

Issues Raised

1. Whether the Respondent-Complainant would be covered under the ambit of ‘consumer’ as defined under the Consumer Protection Act, 2019?
2. Whether any liability rested on Appellant to disburse the entire consideration amount for sale of the flat payable to the Respondent by the Buyer?

Supreme Court's Judgment

The Supreme Court, in its judgment, overturned the NCDRC's decision. A ‘consumer’ as defined under Section 2(1)(d) is any person buys any goods for a consideration which has been paid or promised or partly paid and partly promised, or under any system of deferred payment and includes any user of such goods other than the person who buys such goods for consideration paid or promised or partly paid or partly promised, or under any system of deferred payment when such use is made with the approval of such person, but does not include a person who obtains such goods for resale or for any commercial purpose or (ii) hires or avails of any services for a consideration which has been paid or promised or partly paid and partly promised, or under any system of deferred payment and includes any beneficiary of such services other than the person who hires or avails of the services for consideration paid or promised, or partly paid and partly promised, or under any system of deferred payment, when such services are availed of with the approval of the first mentioned person but does not include a person who avails of such services for any commercial purpose^[2].

The Court held that the Respondent, Nanda could not be considered a “consumer” under the Act, as there was no privity of contract between him and Citicorp Finance. The Court reasoned that the liability of Citicorp Finance was restricted to the terms of

the Home Loan Agreement between the borrower and the financier. Since Nanda was not a party to this agreement, he could not claim consumer status under the Act.

The Court further observed that even if any liability existed, it could not have exceeded the amount envisaged under the Home Loan Agreement. The Court noted that the NCDRC could not have ordered Citicorp Finance to pay Rs. 31,00,000 to both ICICI Bank and Nanda, as Nanda was not a party to the loan agreement. The Supreme Court allowed the appeal and set aside the NCDRC's order.

The Court also relied on the judgment given in the case of Indian Oil Corporation vs Consumer Protection Council, Kerela,^[3] wherein it was held that as there was no privity of contract between the concerned parties therein, no deficiency would arise and the complaint would not be maintainable before the Consumer Forum.

Implications of the Judgment

This judgment has significant implications for the interpretation of consumer law in India. It clarifies that the term “consumer” under the Consumer Protection Act, 1986, requires a direct contractual relationship between the complainant and the opposite party. This ruling reinforces the principle of privity of contract, emphasizing that a third party cannot enforce rights under a contract to which they are not a party.

The judgment also highlights the importance of careful drafting and execution of contracts in consumer transactions and the need for clarity in contractual terms and the necessity for parties to understand their rights and obligations under the contract.

Conclusion

The Supreme Court's decision in *M/s. Citicorp Finance (India) Limited vs. Snehasis Nanda* clarifies a crucial aspect of consumer law in India. By emphasizing the need for privity of contract to establish consumer status, the Court has provided a clear guideline for future consumer disputes. This judgment will likely influence how consumer complaints are adjudicated and how contracts are structured in consumer transactions. Though the Doctrine of Privity of Contract is a long-established principle, the position for right of third parties remains unclear in the Indian laws.

For more details, contact us at: contact@indialaw.in

^[1] 2025 INSC 371.

^[2] Consumer Protection Act, 2019 (Act 35 of 2019) s. 2(1)(d)

^[3] (1994) 1 SCC 397.