



CIVIL

Breaking New Ground: Supreme Court's Consensual Resolution in Negotiable Instruments Act Case

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Introduction

The Supreme Court of India has recently resolved a significant dispute under the Negotiable Instruments Act, 1881, highlighting the role of consent in criminal revisions in the matter of Vinod Boob (Petitioner) vs. Dodballaur Spinning Mills Pvt. Ltd. & Anr. (Respondents). This consensual resolution not only brought closure to the immediate parties but also set a precedent for future cases under the Negotiable Instruments Act.

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Case Background

The case (Special Leave Petition (Crl.) No. 4017 of 2022) stemmed from the petitioner challenging a Karnataka High Court judgment that had set aside the conviction and sentence of the respondents under Section 138 of the Negotiable Instruments Act, 1881. The High Court had overturned decisions by both the Metropolitan Magistrate and Additional Sessions Court, which had initially ruled in favor of the petitioner.

The legal journey of this dispute was extensive, moving through multiple tiers of the judiciary. Initially, the Court of Metropolitan Magistrate had convicted the respondents (Dodballapur Spinning Mills Pvt. Ltd. & Anr.) under Section 138 of the NI Act, which specifically criminalizes the dishonor of cheques due to insufficient funds. This conviction was subsequently upheld by the Additional Sessions Court, maintaining the penalties against the respondents.

However, in a significant reversal, the High Court of Karnataka at Bengaluru, while exercising its revisional jurisdiction, overturned both lower court rulings through its judgment dated July 22, 2021. This prompted the petitioner, Vinod Boob, to approach the Supreme Court through the Special Leave Petition.

Section 138 of the NI Act deals with dishonor of cheques for insufficiency of funds, a provision designed to enhance the credibility of negotiable instruments in business transactions.

Consensual Resolution Terms

The matter came before the Supreme Court was heard by a division bench comprising Justices Dipankar Datta and Manmohan under the court's extraordinary jurisdiction. During the proceedings, after initial arguments were presented, both parties expressed willingness to explore a consensual resolution rather than continuing with the adversarial litigation.

The Supreme Court's decision in this case underscores the importance of consent in resolving disputes, particularly in criminal revisions. After hearing arguments from both parties, the Court facilitated a consensual settlement. The terms agreed upon were:

1. **Immediate Release of Funds:** 20% of the amount deposited by the Respondents with the Additional Sessions Court, along with any accrued interest, was to be released to the Petitioner immediately.
2. **Payment in Installments:** An additional sum of Rs. 9.50 lakhs to be paid by the Respondents to the Petitioner in six equal bimonthly installments via demand draft or RTGS.
3. **No Impact on Pending Arbitration:** Importantly, the Court clarified that this order would not affect the ongoing arbitration proceedings between the parties.

The court deemed these terms "fair and reasonable" while disposing of the petition.

Legal Implications

This judgment is notable for several reasons. Firstly, it demonstrates the Supreme Court's willingness to encourage consensual resolutions in complex legal disputes, even those involving criminal provisions of the NI Act. By facilitating an agreement between the parties, the Court avoided a protracted legal battle, saving time and resources for all involved.

Secondly, the decision sets a precedent for future cases under the Negotiable Instruments Act. It shows that consensual settlements can be an effective means of resolving disputes, even in criminal matters. This approach not only brings immediate relief to the parties but also helps in maintaining business relationships, which is crucial in commercial disputes.

Lastly, the Court's clarification that the order would not impact the pending arbitration proceedings is a significant aspect. It ensures that the parties can continue to seek resolution through alternative dispute resolution mechanisms without being prejudiced by the current settlement.

The case adds to the evolving jurisprudence on Section 138 of the NI Act, where courts increasingly view the provision's primary purpose as ensuring financial discipline in commercial transactions rather than pursuing punitive outcomes.

As businesses navigate post-pandemic financial challenges, this judgment provides a template for resolving cheque dishonor cases through structured settlements that balance immediate compensation with realistic payment schedules, potentially reducing litigation burdens on both the judiciary and commercial entities.

Conclusion

The Supreme Court's handling of this case represents a significant evolution in the judicial approach to Negotiable Instruments Act violations. By prioritizing practical resolution over protracted litigation, the Court has demonstrated how consensual settlements can effectively address the core issues in commercial disputes while ensuring that complainants receive due compensation.

This precedent-setting judgment offers a blueprint for both lower courts and litigants to explore mutually beneficial resolutions in similar cases. The decision reflects the judiciary's growing recognition that in many commercial disputes, especially those involving dishonoured instruments, the primary goal should be financial restitution rather than criminal penalties.

As India's commercial landscape continues to evolve, this judgment signals the Supreme Court's commitment to balancing the punitive aspects of the NI Act with practical considerations of business continuity and efficient dispute resolution. The emphasis on structured settlements may well become a hallmark of future NI Act cases, potentially transforming how these disputes are approached from the outset. For more details, write to us at: contact@indialaw.in