



CONSUMER

Fixed Deposits Or Fraudulent Pledges? The Supreme Court Clarifies “Commercial Purpose” And Commercial Jurisdiction

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The boundary between a routine banking service and a “commercial transaction” has long been a battlefield in Indian consumer law. In the recent landmark judgment of **Sant Rohidas Leather Industries v. Vijaya Bank (2026)**, the Supreme Court of India dissected these definitions, providing much-needed clarity on when a corporate entity can claim the status of a “consumer” and when a dispute becomes too complex for summary proceedings.

Table of contents

- [The Anatomy of the Dispute: A Rs9 Crore Question](#)
- [The NCDRC’s Stance: “Interest Equals Profit”](#)
- [Rival Submissions: The Battle of Arguments](#)
 - [Submissions on behalf of the Appellant](#)
 - [Submissions on behalf of the Respondent-Bank](#)
- [Judicial Precedents: Shaping the Decision](#)
 - [1. Lilavati Kirtilal Mehta Medical Trust vs. Unique Shanti Developers \(2020\)](#)
 - [2. National Insurance Co. Ltd. vs. Harsolia Motors \(2023\)](#)
 - [3. Poly Medicure Ltd. v. Brillio Technologies \(Pvt\) Ltd. \(2025\)](#)
 - [4. Shriram Chits \(India\) Pvt. Ltd. vs. Raghachand Associates \(2024\)](#)
 - [5. Ravneet Singh Bagga vs. KLM Royal Dutch Airlines \(2000\)](#)
 - [6. Chairman and Managing Director, City Union Bank Limited and Another v. R. Chandramohan \(2023\)](#)
- [Why the Appellant Lost Despite the Law Being on Their Side](#)
- [Key Takeaways:](#)

The Anatomy of the Dispute: A Rs9 Crore Question

The case originated when the appellant, a Maharashtra State undertaking, invested ₹9 Crores in a Fixed Deposit Receipt (FDR) with Vijaya Bank in 2014. The transaction took a dark turn when the appellant discovered the Bank had sanctioned an ₹8.10 Crore overdraft facility against that very FDR, a facility the appellant claimed was fraudulent and never authorized. When the Bank adjusted the maturity value of the FDR to close the overdraft account, leaving the appellant with a mere ₹50,58,847, a consumer complaint was filed.

The NCDRC’s Stance: “Interest Equals Profit”

Initially, the National Consumer Disputes Redressal Commission (NCDRC) dismissed the complaint. Their reasoning was that because the appellant was a company and the deposit earned interest, the service had a “direct nexus” with profit generation; therefore, the appellant was not a “consumer” under Section 2(1)(d) of the Consumer Protection Act, 1986.

Rival Submissions: The Battle of Arguments

The Supreme Court carefully weighed the conflicting arguments presented by both parties:

Submissions on behalf of the Appellant

- **Public Undertaking Status:** The appellant is an undertaking of the State of Maharashtra that availed of banking services.
- **Nature of Deposits:** A bank deposit is not inherently reflective of a commercial purpose, as every legal person parks funds in a bank.
- **Investment vs. Activity:** Parking surplus funds is merely an investment and does not constitute a “commercial activity”.
- **No Direct Nexus:** There is no direct link between the banking service and the appellant’s core business of supplying raw materials to industries.
- **Corporate Eligibility:** A company is legally capable of being a “consumer” under the Act.

Submissions on behalf of the Respondent-Bank

- **Profit Augmentation:** Even if the appellant's main object is promoting the leather industry, investing surplus money is done to augment profits.
- **Commercial Purpose:** Because the investment was for profit, the banking services were availed for a commercial purpose.
- **Factual Disputes:** The case involves serious allegations of fraud and forgery that can only be decided by a Civil or Criminal Court, not through summary consumer proceedings.

Judicial Precedents: Shaping the Decision

The Court relied on several landmark cases to build its framework:

1. Lilavati Kirtilal Mehta Medical Trust vs. Unique Shanti Developers (2020)

This is the foundational case for the “**Dominant Purpose Test**.” The Court established that there is no “straitjacket formula” to determine if a transaction is commercial.

- **Fact-Dependency:** Whether a transaction is for a commercial purpose depends on the specific facts and circumstances of each case.
- **Direct Nexus:** The purchase of goods or services must have a close and direct nexus with a profit-generating activity to be considered commercial.
- **Dominant Intention:** One must look at the primary intent of the transaction. If the dominant purpose is personal use or consumption, it is not commercial, even if the user is a large entity.
- **Identity is Not Decisive:** The value of the transaction or the identity of the purchaser (e.g., a corporation) does not automatically make the purpose “commercial”.

2. National Insurance Co. Ltd. vs. Harsolia Motors (2023)

This case specifically addressed whether a commercial entity taking an insurance policy qualifies as a “consumer”.

- **Indemnity vs. Profit:** The Court ruled that insurance is a contract of indemnity (to cover loss), not a tool to generate profit.
- **Service for Protection:** Even if a business takes insurance for its showroom or machinery, the “dominant purpose” is protection against unforeseen contingency, not the direct generation of business profit.
- **Conclusion:** Therefore, a commercial entity can be a “consumer” when availing of insurance services.

Following the specific stylistic framework of your previous legal summaries, here is the breakdown of the **Poly Medicure** case and its role in refining the “Direct Nexus” doctrine:

3. Poly Medicure Ltd. v. Brillio Technologies (Pvt) Ltd. (2025)

This case serves as the critical “bridge” that expanded the protection of the Consumer Protection Act from insurance-specific scenarios to general corporate services. It refined the “**Direct Nexus Test**” by requiring a functional analysis of the service's purpose.

- **Refinement of Nexus:** The Court held that a transaction is only “commercial” if it possesses a direct and immediate link to the generation or augmentation of profit.
- **Nature of Service Doctrine:** Whether a nexus exists must be determined by evaluating the inherent nature of the service availed (e.g., security vs. production).
- **Protection vs. Profit:** It reinforced that services intended to secure an entity against unforeseen risks or to provide safe custody are fundamentally different from services used to use business growth.
- **Fact-Based Determination:** The Court mandated that the “commercial” label cannot be applied broadly; it must be assessed based on the specific intent behind that individual transaction.

4. Shriram Chits (India) Pvt. Ltd. vs. Raghachand Associates (2024)

This judgment clarified the **Burden of Proof** in consumer disputes.

- **The Three-Part Test:**
 - **Part 1:** Proving the buying of goods/services for consideration (Burden on the **Complainant**).
 - **Part 2:** Proving that the services were for a “commercial purpose” (Burden on the **Respondent/Bank**).

- **Part 3:** Proving the “Explanation” (that the commercial use was for earning a livelihood via self-employment) (Burden on the Complainant).

5. Ravneet Singh Bagga vs. KLM Royal Dutch Airlines (2000)

This case defined the limits of “**Deficiency in Service**” and the nature of Consumer Forums.

- **Distinction from Tort/Crime:** “Deficiency” must be distinguished from tortious acts or criminal acts.
- **Bona Fide Disputes:** If a service provider acts in good faith or takes all reasonable precautions, a simple error might not amount to a “deficiency” under the Act.
- **Summary Nature:** Consumer Commissions are meant for summary proceedings and should not decide cases involving “highly disputed questions of facts” like fraud or cheating.

6. Chairman and Managing Director, City Union Bank Limited and Another v. R. Chandramohan (2023)

This case served as a pivotal precedent in defining the jurisdictional boundaries of Consumer Forums.

- **Summary Jurisdiction Limitations:** The Court ruled that cases involving complex factual disputes, or those alleging tortious acts and criminality, such as fraud or cheating, cannot be decided by a Forum or Commission under the Consumer Protection Act.
- **Distinction of Service:** A “deficiency in service” (defined as a fault or inadequacy in performance) must be legally distinguished from criminal or tortious misconduct.

Precedent case	Core legal principle	Application in Sant Rohidas
Lilavati Kirtilal Mehta Medical Trust v. Unique Shanti Developers (2020)	Articulated the dominant purpose test, holding that the identity of the purchaser (trust, company, etc.) or the value of the transaction is not conclusive; what matters is whether the primary purpose is profit generation.	Used to underline that the appellant’s status as a State corporation and the size of the deposit do not, without more, make the FDR a commercial transaction.
National Insurance Co. Ltd. v. Harsolia Motors (2023)	Clarified that indemnity-based insurance does not directly generate profit, but merely compensates for loss; such policies are not per se “commercial purpose” transactions.	Supported the view that the nature of the service (risk coverage or safe custody) is critical, and that not every service availed by a commercial entity is for commercial purpose.
Poly Medicure Ltd. v. Brillio Technologies (2025)	Refined the “ Direct Nexus ” test; mandated looking at the inherent nature and intent of the service.	Clarified that earning interest is an incidental feature of banking and does not create a “direct nexus” to business profit.
Shriram Chits (India) Pvt. Ltd. v. Raghachand Associates (2024)	Emphasised that the burden of proof lies on the opposite party to establish that the goods or services were availed for a commercial purpose so as to oust consumer jurisdiction.	In Sant Rohidas, this meant the Bank had to demonstrate that the FDR was in fact pledged or structured as a business use instrument rather than mere parking of funds.
City Union Bank Ltd. v. R. Chandramohan (2023)	Held that consumer fora, being summary forums, cannot adjudicate serious allegations involving fraud, forgery, or criminal misconduct; such issues are reserved for regular civil or criminal courts.	Became the decisive jurisdictional filter in Sant Rohidas, leading to the conclusion that disputes over alleged fraudulent pledging of FDRs fall outside consumer fora competence.

Table 1: Precedential Matrix Guiding the Court in Sant Rohidas

Why the Appellant Lost Despite the Law Being on Their Side

The Supreme Court actually agreed with the appellant on the theory of the law: merely earning interest on a deposit does not make a company a commercial entity; however, the appellant ultimately lost the consumer appeal because the Supreme Court determined that the dispute involved complex factual allegations of fraud, forgery, and a “fraudulent pledge” that could not be adjudicated in summary proceedings.

1. **The “Pledge” Dispute:** The Bank set up a subsequent contract (a pledge for an overdraft) which, if true, would mean the service was for a commercial purpose.

2. **Allegations of Forgery:** The Bank claimed the FDR in the appellant's possession was forged.
3. **The Limit of Consumer Forums:** Since Consumer Forums operate under "summary jurisdiction," they cannot act as a criminal court to determine if documents were forged or if a ₹8.10 Crore fraud took place.

Final Outcome: The appeal was dismissed, but the Court explicitly stated that the appellant is free to pursue the matter in a regular Civil or Criminal Court where these complex facts can be fully tried.

Key Takeaways:

- **Burden of Proof:** The respondent (the Bank) carries the burden of proving that a service was availed for a commercial purpose.
- **Status is Not Stature:** Whether the complainant is an individual or a body corporate is a factor, but not the determining factor, of their status as a consumer.
- **Forum Selection:** If a case involves deep-rooted allegations of forgery and complex financial fraud, a Civil Suit or Criminal Complaint is the appropriate path, as Consumer Forums may decline jurisdiction due to the complexity of the facts.

The judgment is a reminder that while the Consumer Protection Act is a shield for the aggrieved, it is not a substitute for the rigorous fact-finding of a trial court when the "truth" is buried under layers of alleged criminal deception

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

Reference:

[\[2026 INSC 264\]](#)

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