



INSOLVENCY & BANKRUPTCY

Artificial Intelligence, Judicial Integrity, and The Rule Of Law

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In a landmark ruling, the Supreme Court of India addressed the growing threat of **AI-generated fabricated legal precedents** in judicial proceedings. The judgment in *Pooja Ramesh Singh v. Jammu and Kashmir Bank Ltd. & Anr.* establishes a zero-tolerance policy toward hallucinated case law and sets guidelines for the responsible use of AI in the legal profession.

Civil Appeal No. 11950 of 2025 | Supreme Court of India | 2 July 2026 | Justice Pamidighantam Sri Narasimha and Justice Alok Aradhe

Introduction: AI in the Legal Profession

The increasing integration of **Artificial Intelligence (AI)** into legal practice has revolutionised the way legal professionals conduct research, analyse precedents, and prepare legal submissions. AI-powered legal tools have significantly enhanced efficiency by enabling lawyers and judges to process vast amounts of legal information within a short period.

However, this technological advancement has also introduced a serious challenge in the form of AI “hallucinations”—instances where generative AI systems produce fabricated judicial precedents, inaccurate legal propositions, or fictitious quotations while presenting them as authentic. Such inaccuracies pose a unique threat to the administration of justice because judicial decision-making is fundamentally dependent upon the authenticity and reliability of legal authorities.

Recognising both the opportunities and risks associated with Artificial Intelligence, the Supreme Court of India, in *Pooja Ramesh Singh v. Jammu and Kashmir Bank Ltd. & Anr.*, delivered a judgment addressing the **responsible use of AI** within the judicial system. Although the appeal originated from proceedings under the Insolvency and Bankruptcy Code, 2016, the Court treated the matter as one involving a broader institutional concern.

It observed that technological innovation has consistently strengthened judicial administration through initiatives such as:

- E-filing
- Digitisation of court records
- Virtual hearings

However, **generative AI differs fundamentally** from these conventional technological tools because it generates legal content rather than merely retrieving existing information. Consequently, unchecked dependence on AI without adequate human verification has the potential to compromise judicial integrity and public confidence in the legal system.

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Facts of the Case

Insolvency Proceedings and Tribunal Orders

The dispute arose from **insolvency proceedings** initiated by Jammu and Kashmir Bank Limited under Section 7 of the Insolvency and Bankruptcy Code, 2016, against Essel Infraprojects Limited (EIL). EIL had executed a corporate guarantee in favour of the Bank for credit facilities extended to Pan India Utilities Distribution Company Limited (PIUDCL).

Following defaults in repayment, the National Company Law Tribunal (NCLT), Mumbai, admitted the application, appointed an Interim Resolution Professional, and declared a moratorium under Section 14 of the Code.

The appellant challenged this order before the National Company Law Appellate Tribunal (NCLAT), arguing that subsequent corporate restructuring through demerger and amalgamation, together with a renewed sanction letter, had extinguished the corporate guarantee. The **NCLAT rejected these submissions** and upheld the admission order passed by the NCLT.

Discovery of Fabricated Precedents

The appellant's counsel pointed out that several judicial precedents relied upon by the NCLT were either entirely non-existent or genuine judgments accompanied by **fabricated extracts** that did not exist in the reported decisions.

Upon conducting an independent examination, the Supreme Court confirmed that multiple authorities cited by the Tribunal were indeed fictitious or incorrectly attributed. The Court concluded that reliance upon such hallucinated material had fundamentally tainted the judicial process, rendering the decisions of both the NCLT and the NCLAT legally unsustainable.

Consequently, it **set aside the impugned orders** and restored the Section 7 application to the NCLT for fresh adjudication in accordance with law, without expressing any opinion on the merits of the insolvency dispute itself.

Legal Framework

Although the case was filed under Section 7 of the Insolvency and Bankruptcy Code, 2016, the Supreme Court went beyond the insolvency issues and focused on a larger question—whether a court decision based on **fake legal authorities** can be valid.

The Court explained that every judicial decision must be based on genuine laws and authentic court judgments. If a court relies on false or non-existent precedents, it affects the fairness of the judicial process and weakens public trust in the justice system.

The Court also made it clear that it is not against the use of Artificial Intelligence in the legal profession. It accepted that AI could help lawyers and judges by making legal research faster and more efficient. However, **AI should only be used as a support tool**. Every case, legal principle, or judgment generated by AI must be checked and verified by a human before it is used in court.

Therefore, the judgment creates a balance between encouraging technology and protecting the integrity of the justice system.

The Court's Reasoning

AI as a Content Generator, Not a Research Tool

The Supreme Court observed that **Artificial Intelligence is different from ordinary research tools** because it can create legal content instead of simply finding existing information. While this makes legal work quicker, AI can also generate false case laws, fake quotations, and incorrect legal principles.

The Court warned that if judges and lawyers start depending on AI without checking its accuracy, it could seriously affect the quality of judicial decision-making.

Hallucinated Precedents as a Hidden Danger

The Court described AI-generated fake legal material as a **hidden danger to the justice system**. It compared such hallucinations to the release of methyl isocyanate gas, explaining that they are difficult to detect but can cause serious damage to the judicial process.

According to the Court, using fake precedents does not merely result in a legal mistake; it damages the credibility of the entire justice system because judicial decisions must always be based on real and verified legal authorities.

Findings on the NCLT and NCLAT Orders

After examining the records, the Supreme Court found that the **NCLT had relied on several judgments** that either did not exist or contained paragraphs that were never part of the original judgments. These mistakes were not noticed by the NCLAT while

hearing the appeal.

Since both forums relied on incorrect legal material, the Supreme Court held that their decisions could not be allowed to stand.

Zero-Tolerance Policy and Institutional Directions

The Court therefore adopted a policy of **zero tolerance** towards AI-generated precedents that are used without verification. It held that:

- A lawyer who cites fake judgments without checking them commits **professional misconduct**.
- A judge who relies on such fake material commits a **serious error**.
- Any judgment influenced by fake or hallucinated precedents is **“no decision in the eyes of law”** and must be set aside.

To prevent such situations in the future, the Supreme Court directed the **Bar Council of India** to form a committee to prepare guidelines and recommend disciplinary action for the misuse of AI in legal practice.

Implications and Analysis

The Supreme Court's decision in *Pooja Ramesh Singh v. Jammu and Kashmir Bank Ltd. & Anr.* is one of the first significant judgments in India to address the use of **Artificial Intelligence in the legal profession**. Instead of discouraging technological advancement, the Court adopted a balanced approach by recognising both the benefits and the risks associated with AI.

It acknowledged that AI has become an important tool for legal research and can improve the efficiency of lawyers and judges. However, the judgment makes it equally clear that technology cannot replace human intelligence, legal reasoning, or professional responsibility. Every AI-generated output must be carefully verified before it is relied upon in judicial proceedings.

Ethical Responsibilities of Advocates

A major contribution of this judgment is that it reinforces the **ethical responsibilities of advocates**. The Court held that lawyers cannot avoid responsibility by claiming that incorrect information was generated by AI.

Before citing any judgment or legal principle, an advocate has a professional duty to verify its authenticity from reliable legal sources. Failure to do so amounts to professional misconduct because it misleads the court and affects the fairness of the judicial process. This observation highlights that AI should only assist legal professionals and cannot replace their independent research and judgment.

Responsibilities of the Judiciary

The judgment is equally important for the judiciary. The Supreme Court observed that **judges and tribunals must also independently verify legal authorities** before relying upon them.

In the present case, the fake precedents were not detected by either the NCLT or the NCLAT, demonstrating how easily AI-generated errors can enter the judicial process if proper verification is not carried out. To preserve public confidence in the justice system, the Court ruled that any decision influenced by fabricated legal authorities is legally unsustainable.

This places greater responsibility on adjudicating authorities to ensure that every judgment is based on genuine and verified legal sources.

Institutional Regulation of AI Use

Another important aspect of the judgment is its emphasis on **institutional regulation**. Recognising that judicial observations alone are insufficient, the Supreme Court directed the Bar Council of India to constitute a committee to frame guidelines and recommend disciplinary measures regarding the misuse of AI by advocates.

This direction reflects the Court's understanding that the growing use of AI requires a clear regulatory framework to ensure responsible use while allowing legal professionals to benefit from technological innovation.

Conclusion

The Supreme Court's decision in *Pooja Ramesh Singh v. Jammu and Kashmir Bank Ltd. & Anr.* marks a significant step in defining the role of Artificial Intelligence in the Indian legal system. The Court recognised the usefulness of AI in improving legal research and judicial efficiency but made it clear that **technology can never replace human judgment**, independent verification, and judicial responsibility.

By adopting a policy of zero tolerance towards hallucinated precedents and setting aside decisions based on fake legal authorities, the Court reaffirmed that the administration of justice must always be based on authentic legal sources.

The judgment not only resolves the dispute before the Court but also lays the foundation for the **ethical and responsible use of AI** in the legal profession. As technology continues to evolve, this decision will remain an important guide in ensuring that innovation supports, rather than weakens, the integrity of the judicial system.

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