



INSURANCE

Fake Licence Not Enough to Deny Insurance: Supreme Court

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Introduction

In a significant ruling on motor insurance liability, the Supreme Court of India in *Hind Samachar Ltd. v. National Insurance Company Ltd*¹, held that a vehicle owner cannot be held liable solely on the ground that the driver's licence was later discovered to be fake. The Court reaffirmed that, to deny indemnification, the insurer must prove a willful breach of policy conditions or demonstrate clear evidence of collusion on the part of the insured.

This judgment reinforces the evolving jurisprudence surrounding “pay and recover” principles under the *Motor Vehicles Act, 1988*, and underscores that the bona fide conduct of the insured owner cannot be questioned in the absence of concrete and convincing proof.

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Background of the Case

The dispute in *Hind Samachar Ltd. v. National Insurance Company Ltd.* arose from a tragic road accident on 26 January 1993 at around 2:00 a.m., involving a truck owned by Hind Samachar Ltd. (Delhi Unit) and a Matador van carrying ten passengers. The collision led to the death of nine passengers and caused injuries to two others. Following the incident, multiple claim petitions were filed before the Motor Accident Claims Tribunal (MACT) by the legal representatives of the deceased, the injured victims, and the owner of the Matador van for damage to the vehicle.

Before the Tribunal, the truck driver, the owner (Hind Samachar Ltd.), and the insurer, National Insurance Company Ltd., were impleaded as respondents. On the insurer's objection alleging contributory negligence by the Matador driver, the Tribunal also impleaded the owner and insurer of the Matador van.

After evaluating the evidence, including the FIR, eyewitness accounts, and the site plan, the Tribunal held that both vehicles were responsible for the accident due to composite negligence. Liability was apportioned in the ratio of 75:25 between the truck and the Matador van respectively. Compensation was accordingly determined, and both insurers were directed to satisfy the awards.

The Tribunal further held that the truck's insurer remained liable to indemnify the owner despite allegations that the driver possessed a fake licence, noting that the insurer had failed to establish any willful breach of policy conditions on the part of the owner.

However, on appeal, the Delhi High Court took a different view. It concluded that the truck driver's licence was forged and inferred collusion between the driver and the owner. On this basis, it directed the insurer to first satisfy the compensation awarded to the claimants, but granted it the right to recover the amount from the vehicle owner under the “pay and recover” principle.

Aggrieved by this finding, Hind Samachar Ltd. approached the Supreme Court, contending that the High Court's conclusions regarding collusion and negligence were speculative, unsupported by evidence, and inconsistent with established legal principles.

Arguments Before the Supreme Court

- **For the Appellant – Hind Samachar Ltd:** The appellant argued that the Delhi High Court's finding of collusion between the vehicle owner and the driver was purely speculative and lacked evidentiary support. It was submitted that the company had exercised due diligence by verifying the driver's licence at the time of employment. Additionally, the existence of renewal records from the licensing authority was relied upon to demonstrate the owner's bona fide conduct and absence of any willful breach of policy conditions.

- **For the Respondent – National Insurance Company Ltd:** The insurer contended that both the driving licences one seized during investigation and the other produced by the owner were found to be fake. On this basis, it argued that the owner had been negligent in employing an unqualified driver and that such circumstances pointed towards collusion, thereby justifying denial of indemnification or, at the very least, the application of the “pay and recover” principle.

Findings of the Court

The Supreme Court in *Hind Samachar Ltd. v. National Insurance Company Ltd.* undertook a detailed examination of the evidence and the legal principles governing insurer liability in cases involving fake driving licences. It held that the High Court had erred in attributing collusion or negligence to the vehicle owner in the absence of any concrete supporting evidence.

The Court reiterated that the mere discovery of a fake or invalid driving licence does not, by itself, amount to a breach of the insurance policy. The burden squarely lies on the insurer to establish that the insured knowingly allowed an unlicensed driver to operate the vehicle or that there was a willful violation of policy conditions.

Relying on established precedents such as *United India Insurance Co. Ltd. v. Lehu*², *National Insurance Co. Ltd. v. Swaran Singh*³, *PEPSU RTC v. National Insurance Co. Ltd.*⁴, and *IFFCO Tokio General Insurance Co. Ltd. v. Geeta Devi*⁵, the Bench reaffirmed that proof of a fake licence alone is insufficient; the insurer must also demonstrate that the owner had knowledge of the falsity or failed to exercise reasonable care in verifying the driver’s credentials.

In the present case, the Court found that the insurer had not produced any evidence to show that the owner was aware of the fake licence or had acted negligently. On the contrary, the owner’s act of producing the licence before the Tribunal was treated as indicative of due diligence rather than collusion. The Court rejected the High Court’s inference that such conduct suggested fraudulent intent.

The Bench also noted discrepancies in the insurer’s evidence. The driving licence register from the District Transport Office, Gurdaspur, contained irregularities and interpolations, and the date relied upon by the insurer did not correspond with the actual issuance or renewal of the licence. Furthermore, the renewal certificate from the same authority supported the owner’s claim of bona fide belief in the validity of the licence.

Importantly, the Court clarified that a vehicle owner is required to exercise reasonable care, not undertake exhaustive verification with the Regional Transport Office unless there are circumstances that raise suspicion. The law does not impose an obligation of extraordinary diligence.

On this basis, the Court concluded that there was no willful breach or collusion on the part of the appellant. Consequently, it held that the High Court’s direction permitting the insurer to recover the compensation from the owner under the “pay and recover” principle was legally unsustainable.

Accordingly, the Supreme Court set aside the High Court’s finding on the insurer’s right of recovery, while affirming the Tribunal’s award of compensation (as modified on quantum).

Conclusion

The Supreme Court’s decision in *Hind Samachar Ltd. v. National Insurance Company Ltd.* reiterates the well-settled principle that a vehicle owner cannot be held liable merely because a driver’s licence is subsequently found to be fake. Unless the insurer establishes, with clear evidence, that the owner knowingly permitted an unlicensed driver to operate the vehicle or failed to exercise reasonable diligence, recovery from the insured is not legally permissible.

By setting aside the Delhi High Court’s “pay and recover” direction, the Court restored an equitable balance between the rights of insurers and the protection of bona fide insured parties. It clarified that the law requires reasonable care from vehicle owners, not suspicion-driven or exhaustive verification measures. At the same time, the ruling reinforces the welfare objective of the Motor Vehicles Act, 1988, ensuring that victims receive compensation without unfairly burdening owners acting in good faith.

The judgment thus strengthens the jurisprudence on insurer liability and offers important guidance for businesses and fleet operators who depend on employed drivers. It cautions insurers against invoking recovery rights in the absence of substantive proof of breach, while promoting consistency in judicial approach to cases involving fake or invalid driving licences under motor insurance contracts.

1. 2025 INSC 1204 (Civil Appeal Nos. 12442–12446 of 2024) ??

2. (2003) 3 SCC 338 ??

3. (2004) 3 SCC 297 [??](#)
4. (2013) 10 SCC 217 [??](#)
5. 2023 SCC OnLine SC 1398 [??](#)

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