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# Reimagining Compensation Under The Motor Vehicles Act: Allahabad High Court Holds Permanently Disabled Minor Entitled To Wages Of A Skilled Workman

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## Introduction

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The Motor Vehicles Act, 1988 is a welfare-oriented statute designed to ensure that victims of road accidents receive “just compensation” for the harm, injury, or loss suffered. Indian courts have consistently held that such compensation should not be confined to a strict mathematical formula, but must account for the broader impact of the accident on the victim’s life, dignity, earning capacity, and future prospects.

In a significant and progressive ruling, the Allahabad High Court in *Sangam Lal v. The New India Assurance Co. Ltd.* (First Appeal from Order Nos. 697 of 2015 and 892 of 2015) reaffirmed this principle. The Court held that even an unemployed minor who suffers 100% permanent functional disability is entitled to compensation calculated on the basis of minimum wages applicable to a skilled worker.

The judgment thus provides important clarity on the concepts of functional disability, future prospects, and loss of earning capacity, while strengthening the protective framework for permanently disabled minors and child victims under the Act.

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## Statutory Framework: Understanding the Legal Basis of Compensation

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Under Section 166 of the Motor Vehicles Act, 1988, an injured person, or in appropriate cases their legal representatives, may institute a claim petition before the Motor Accident Claims Tribunal (MACT). Pursuant to Section 168, the Tribunal is entrusted with the duty of determining and awarding “just compensation.”

The term “just compensation” has intentionally been left undefined by the legislature, allowing courts the flexibility to interpret it in a manner that is fair, reasonable, and equitable, depending on the circumstances of each case. The Supreme Court has consistently held that such compensation should neither be arbitrary nor unduly conservative, but must adequately reflect the actual loss suffered by the victim.

Further, Section 173 of the Act provides for an appellate remedy, enabling both claimants and insurers to challenge the award of the Tribunal before the High Court on grounds relating to its adequacy or correctness.

In the present case, particular significance was also attached to Rule 220-A of the Uttar Pradesh Motor Vehicles Rules, 1998, which deals with the addition of future prospects in cases involving permanent disability. This provision acknowledges that an injured claimant would have experienced growth in income and advancement in life but for the accident, and accordingly permits an enhancement of compensation on that basis.

## Facts of the Case

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The claimant, Sangam Lal, was only 16 years old when he was involved in a serious motor accident on 29 March 2009, involving a truck insured with the respondent insurance company. At the time, he was working as a *khalasi*, a role that required significant physical labour.

The injuries sustained were grave and permanently disabling. His right leg was amputated above the knee, and two toes of his left foot were also amputated, severely affecting his mobility and eliminating his ability to perform manual work in the future. A disability certificate issued by the Chief Medical Officer, Pratapgarh, assessed his permanent disability at 60%. This certificate, issued by a duly constituted medical board, remained unchallenged by the insurance company, which did not produce any

contrary medical evidence.

Additionally, a certificate from the Department of Physiotherapy at B.Y.L. Nair Charitable Hospital & T.N.M. College indicated 75% permanent disability in the right lower limb due to knee disarticulation and 5% disability in the left lower limb due to amputation of the fourth and fifth toes. Collectively, this resulted in an overall permanent disability of 80%, further underscoring the extent of the claimant's physical impairment.

## **Tribunal's Award and the Competing Appeals**

The Motor Accident Claims Tribunal (MACT) awarded compensation of ₹5,03,310, along with interest at the rate of 7% per annum. In its assessment, the Tribunal considered the claimant's functional disability to be 80%, applied a multiplier of 16, and did not grant any addition towards future prospects. Further, the amounts awarded under non-pecuniary heads, such as pain and suffering, were relatively modest.

Dissatisfied with the award, both parties preferred appeals before the Allahabad High Court.

The insurance company, The New India Assurance Co. Ltd., challenged the award on several grounds. It argued that the disability was only partial and had been overestimated, that the claimant was a minor and not engaged in gainful employment at the time of the accident, and that the income assessed by the Tribunal was excessive in the circumstances.

On the other hand, the claimant, Sangam Lal, sought enhancement of compensation. He contended that his functional disability was effectively 100%, resulting in a complete loss of earning capacity. He further argued that the appropriate multiplier should be 18, considering his age, and that the compensation awarded under non-pecuniary heads was grossly inadequate.

## **Judicial Reasoning: Functional Disability as the Governing Standard**

Justice Sandeep Jain undertook a detailed analysis of the principles governing assessment of disability under the Motor Vehicles Act, 1988. Relying on the Supreme Court's ruling in *Raj Kumar v. Ajay Kumar*, the Court emphasized that tribunals must not mechanically equate the percentage of permanent disability with the percentage of loss of earning capacity. Instead, they must independently evaluate the actual impact of the injury on the claimant's ability to earn, by considering what activities the claimant can still perform and what has become impossible due to the injury.

The Court further clarified the distinction between two key concepts:

- **Medical disability**, which relates to the extent of physical impairment, and
- **Functional disability**, which concerns the consequent loss of earning capacity.

It reiterated that for the purpose of determining compensation, the crucial consideration is not merely the degree of physical disability, but the extent to which the injury affects the victim's capacity to earn, having regard to the nature of their work or potential employment.

Applying these principles to the present case, the Court noted that the claimant's occupation involved manual labour. The amputation of his leg, therefore, effectively extinguished his ability to engage in such work in the future. Consequently, the Court held that, irrespective of the assessed medical disability, the claimant had suffered **100% functional disability**, given the complete loss of earning capacity.

## **Recognition of a Minor as a Skilled Workman**

A striking feature of the judgment in *Sangam Lal v. The New India Assurance Co. Ltd.* is the Court's recognition of the claimant as a *skilled workman*, notwithstanding the fact that he was a minor and not formally employed at the time of the accident.

The Court observed that even if the claimant was only 16 years old and not engaged in gainful employment, he would still be entitled to compensation calculated on the basis applicable to a skilled worker. This approach was grounded in binding Supreme Court precedents such as *Kajal v. Jagdish Chand*, *Master Ayush v. Reliance General Insurance Co. Ltd.*, *Baby Sakshi Greola v. Manzoor Ahmad Simon*, and *Hitesh Nagjibhai Patel v. Bababhai Nagjibhai Rabari*. These decisions establish that in cases of 100% permanent functional disability, compensation for loss of income must be computed on the basis of minimum wages of a skilled workman, rather than a notional income.

Accordingly, the Court rejected the insurer's contention that the claimant's minority or lack of formal employment disentitled him from such an assessment.

The High Court also addressed the Tribunal's omission in granting compensation towards future prospects. Referring to Pappu Deo Yadav v. Naresh Kumar and Sidram v. United India Insurance Co. Ltd., the Court reaffirmed that even in cases of permanent disability, compensation must include an element of future prospects. Denying such an addition would ignore the potential growth and advancement that the victim would have otherwise experienced.

Applying Rule 220-A of the Uttar Pradesh Motor Vehicles Rules, 1998, the Court granted an addition of 50% towards future prospects, taking into account that the claimant was below 40 years of age.

Further, the Court corrected the Tribunal's application of the multiplier. Relying on National Insurance Co. Ltd. v. Pranay Sethi, it held that the appropriate multiplier for a 16-year-old claimant is 18, not 16 as previously applied.

## Enhancement of Non-Pecuniary Compensation

The Allahabad High Court, in Sangam Lal v. The New India Assurance Co. Ltd., found that the amounts awarded by the Tribunal under non-pecuniary heads were grossly inadequate considering the severity and lifelong impact of the injuries. Taking into account the permanent disability and its far-reaching consequences on the claimant's personal, social, and emotional life, the Court enhanced compensation under several heads, including:

- Pain and suffering
- Loss of amenities of life
- Special diet
- Loss of marriage prospects

However, the Court declined to grant compensation towards future medical expenses due to the absence of concrete evidence regarding the requirement of artificial limbs or any anticipated future treatment.

## Final Order

Upon a comprehensive reassessment of all components, the Allahabad High Court enhanced the total compensation to ₹16,59,510, along with interest at the rate of 7% per annum from the date of filing of the claim petition. The appeal filed by The New India Assurance Co. Ltd. was dismissed, while the claimant's appeal was allowed.

In light of the applicable statutory provisions and judicial precedents, the Court accordingly redetermined the compensation payable to the claimant.

Sr. No.	Head of Compensation	Amount (₹)
1	Monthly income (based on minimum wages of a skilled workman)	4,500
2	Annual income (₹4,500 × 12)	54,000
3	Addition towards future prospects @ 50%	27,000
4	Total annual loss of income	81,000
5	Multiplier applied (age: 16 years)	18
6	Loss of future income (₹81,000 × 18) due to 100% functional disability	14,58,000
7	Medical expenses	26,510
8	Compensation for pain, suffering, and loss of amenities	1,00,000
9	Special diet expenses	25,000
10	Loss of future marriage prospects	50,000
11	Total Compensation	16,59,510

This structured recalculation reflects the Court's emphasis on awarding **just, fair, and realistic compensation**, particularly in cases involving permanent functional disability of a minor.

## Conclusion

The decision in Sangam Lal v. The New India Assurance Co. Ltd. stands as a strong reaffirmation of the humane and purposive approach that courts are expected to adopt in motor accident compensation claims under the Motor Vehicles Act, 1988. By acknowledging that the future of a permanently disabled minor cannot be assessed on a purely notional or conservative basis, the Allahabad High Court has ensured that the concept of “just compensation” retains its substantive meaning and is not reduced to a mere formality.

The ruling thus sets an important benchmark for tribunals and insurers, emphasizing that it is the extent of functional disability and not factors such as age or formal employment that must guide the determination of compensation, particularly in cases where an accident has permanently altered the trajectory of a young individual's life.

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