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Lok Adalat vs. Employees' Compensation Act: Kerala High Court Upholds Settlement Finality

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On 22 September 2025 a single-judge bench of the Kerala High Court at Ernakulam rendered a decision that will be studied in every labour-law classroom and insurance legal cell in the country. Justice M.A. Abdul Hakhim dismissed MFA (ECC) No. 27 of 2024 and, in doing so, answered two troubling questions that have hovered around Indian workplace-injury jurisprudence: can a family that has already taken Rs 10 lakh from a Lok Adalat come back to the Employees' Compensation Commissioner for the statutorily quantified Rs 8.61 lakh, and does Section 8(1) of the Employees' Compensation Act, 1923 erect an impenetrable wall against any payment that has not first been deposited with the Commissioner? The facts were simple, the stakes were high, and the court's replies were unequivocal—no, the family cannot reopen the claim, and yes, the protective wall of Section 8(1) crumbles when the Legal Services Authorities Act, 1987 is invoked through a Permanent Lok Adalat.

The Human Story Behind the Petition

Sivan, 57, and his wife Vimala, 55, residents of Thattarambel House, Kayanad, Marady village, Muvattupuzha taluk, lost their son Ambady on 5 January 2015. The young man was operating a hydraulic lift in a quarry belonging to Raju P.V. of Velliattel House, Nirappu, East Vazhappilly, Mulavoor village. The lift was insured with The Oriental Insurance Company Ltd., whose corporate business unit sits on Red Cross Place, Kolkata. Within weeks of the tragedy the grieving parents were approached to settle; on 24 January 2015 they signed a private agreement (Ext.D1) and received Rs 10 lakh. Two weeks later the same amount was crystallised into an award passed by the Muvattupuzha Taluk Legal Services Authority on 14 February 2015 in Pre-Litigation Petition No. 4 of 2015. Thinking the matter closed, the couple did not challenge the award.

The Commissioner Steps In

Unknown to them, the law entitled them to a larger sum if the case were taken to the Employees' Compensation Commissioner. When they eventually filed ECC No. 13 of 2017 before the Industrial Tribunal, Alappuzha, the Commissioner computed the correct compensation at Rs 8,61,120 but refused to hand it over. He held that the Lok Adalat award, coupled with the admitted receipt of Rs 10 lakh, amounted to a final discharge of the employer's liability. Sivan and Vimala, now appellants, questioned that order by way of MFA (ECC) No. 27 of 2024. The appeal was admitted on 3 September 2024 and finally heard on 22 September 2025, the same day the judgment was delivered.

The Two Substantial Questions of Law

Because the appeal had been admitted without formulating substantial questions of law , Justice Hakhim formulated two himself. First, whether a claim under the Employees' Compensation Act can be settled through a Pre-Litigation Petition under Section 22-C of the Legal Services Authorities Act and compensation received by the dependents despite the bar contained in Section 8(1) of the EC Act. Second, whether receipt of money from the Lok Adalat can be used to non-suit the dependents when they later approach the Commissioner for the statutory amount.

What Each Side Argued

Senior advocate A.N. Santhosh, appearing for the parents, contended that the very purpose of Section 8(1) is to prevent unscrupulous employers from short-changing helpless families. He relied on two Division-Bench decisions of the same court—Shah v. Rajankutty (2006 ACJ 793) and Varghese K.M. v. Thankamma (2012(2) KHC 661)—to insist that any payment made behind the Commissioner's back is a nullity. Counsel for the Oriental Insurance Company, Sri Dinesh Mathew, countered that the Legal Services Authorities Act is a later, benevolent statute that overrides inconsistent provisions through Section 25 of that Act. He cited a trio of Supreme Court judgments—P.T. Thomas v. Thomas Job (2005) 6 SCC 478, K.N. Govindan Kutty Menon v. C.D. Shaji (2012) 2 SCC 51 and Madhya Pradesh State Legal Services Authority v. Prateek Jain (2014) 10 SCC 690—to show that Lok Adalats are meant for precisely such claimants and that the doctrine of election of remedies bars a second forum once the first has delivered an award. The insurer added that the family had already received more than the Commissioner's arithmetic, so allowing the appeal would amount to double recovery.

The Court's Reasoning in Depth

Justice Hakhim began by acknowledging the protective umbrella of Section 8(1) but quickly moved to the supremacy clause in Section 25 of the Legal Services Authorities Act. He held that when a dispute is taken to a Permanent Lok Adalat the rigours of Section 8(1) are relaxed because the Adalat itself is a judicial body mandated to safeguard the interests of weaker parties. The judge found that the parents had not repudiated the private agreement or the Lok Adalat award; their silence amounted to acceptance. Invoking the election-of-remedies doctrine, he relied on National Insurance Co. Ltd. v. Mastan (2006) 2 SCC 641 where the Supreme Court held that a claimant who chooses one of two equally competent fora is bound by that choice. The court also underlined that Lok Adalat proceedings are free, swift, non-adversarial and non-appealable; denying industrial workmen access to such benefits would violate Article 14 of the Constitution. In short, the larger social-welfare objective of the Legal Services Authorities Act would be frustrated if families were told they must ignore an amicable settlement and run to the Commissioner.

The Final Gavel

Answering both questions against the appellants, the court declared that the Lok Adalat award is final and that the Employees' Compensation Commissioner was right in refusing a second round of compensation. The appeal was dismissed, leaving the Rs 10 lakh already received as the full and conclusive settlement.

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