

IN THE SUPREME COURT OF INDIA
CRIMINAL APPELLATE JURISDICTION
CRIMINAL APPEAL NO. 831 OF 2014
(Arising out of Special Leave Petition (Crl.) No. 8914 OF
2013)

GOPAKUMAR B. NAIR

... APPELLANT (S)

VERSUS

C.B.I. & ANR.

... RESPONDENT (S)

J U D G M E N T

RANJAN GOGOI, J.

1. Leave granted.

2. The appellant is the second accused (hereinafter referred to as 'A-2') in CC No. 48 of 2011 (RC 27(A)/2004) in the Court of the Special Judge (SPE/CBI), Thiruvananthapuram. He is aggrieved by the refusal dated 25.06.2013 of the High Court of Kerala to quash the

aforesaid criminal proceeding lodged by the respondent-Central Bureau of Investigation (hereinafter for short 'CBI').

3. The allegations made against the accused-appellant in the FIR dated 30.11.2004 are to the effect that the accused-appellant alongwith one T.K. Rajeev Kumar (A-1), Branch Manager, Indian Overseas Bank, Killippalam Branch, Trivandrum and C. Sivaramakrishna Pillai (A-3) (since deceased) had entered into a criminal conspiracy to obtain undue pecuniary advantage for themselves. Specifically, it was alleged that in furtherance of the aforesaid criminal conspiracy the accused-appellant dishonestly applied for a car loan of Rs. 5 lakhs and opened a bank account bearing No. 1277 on 24.08.2002 without proper introduction. Thereafter, according to the prosecution, the accused-appellant furnished a forged agreement for purchase of a second hand Lancer Car bearing No. KL-5L-7447 showing the value thereof as Rs. 6.65 lakhs though the accused-appellant had purchased the said vehicle for Rs. 5.15 lakhs only. It is further alleged that A-1, by abusing his official position as

Branch Manager, dishonestly sanctioned Rs. 5 lakhs towards car loan without prerequisite sanction inspection. It is also alleged that A-1, who did not have the authority to do so, sanctioned education loan of Rs.4 lakhs under the Vidyajyothi Scheme to the accused-appellant for undergoing a course on Digital Film Making at SAE Technology College, Thiruvananthapuram. According to the prosecution, the accused-appellant had submitted two forged receipts of the aforesaid college showing payment of Rs. 1,60,000/- as fees which amount was duly released in his favour though he had actually paid Rs. 47,500/- to the college and had attended the course only for three days.

4. It is the further case of the prosecution that A-1, without being authorised to do so, sanctioned cash credit facility of Rs. 17 lakhs to one M/s. Focus Infotainments of which the accused-appellant is the proprietor and in this regard had obtained inflated value of the collateral security offered by the accused-appellant from deceased accused, A-3. According to the prosecution in the valuation report

submitted by A-3 the value of the property offered as a collateral security by A-2 was shown at Rs.17,34,675/- though the subsequent valuation thereof by an approved valuer was for Rs.8,56,600/-. The prosecution had also alleged that after sanction of the said loan, A-1 wiped out the over draft facility of Rs. 13,94,000/- given to the accused-appellant without any authority by transferring the said amount from the cash credit account which was not only against the banking procedure but had also caused undue pecuniary advantage to the accused-appellant to the extent of Rs. 23,57,887/-. On the aforesaid facts, commission of offences under Section 120-B IPC read with Section 13(2) read with Section 13(1)(d) of the Prevention of Corruption Act and Sections 420/471 IPC was alleged insofar as the accused-appellant is concerned.

5. Based on the aforesaid allegations RC Case No. 27(A)/2004 dated 21.7.2005 was registered wherein chargesheet had been filed against the accused-appellant under the aforesaid sections of the Indian Penal Code as well

as the PC Act. It is not in dispute that charges under the aforesaid provisions of law have been framed against the accused-appellant in the court of the Special Judge (SPE/CBI), Thiruvananthapuram on 29.07.2013.

6. Shri H.P. Raval, learned Senior Counsel appearing for the accused-appellant had contended that all amounts due to the bank from the accused-appellant has been tendered in full in an out of court settlement between the parties. An acknowledgement dated 30.3.2009 has been issued on behalf of the bank to the aforesaid effect wherein it is also stated that the bank has no further claims and charges against the accused-appellant in view of the compromise reached. Placing reliance on the decisions of this Court in ***Nikhil Merchant vs. Central Bureau of Investigation and Another***¹ and ***Gian Singh vs. State of Punjab and Another***² and a recent pronouncement in ***CBI, ACB, Mumbai vs. Narendra Lal Jain & Ors.***³ Shri Raval had contended that in view of the settlement arrived at between

¹ (2008) 9 SCC 677

² (2012) 10 SCC 303

³ 2014 (3) SCALE 137

the bank and the accused-appellant, the High Court ought to have exercised its power under Section 482 Cr.P.C. to quash the criminal proceedings against the accused-appellant. Shri Raval has taken the Court through the details of the allegations made and the charges framed to contend that the same are identical with those in **Nikhil Merchant** (supra). The charges against the accused in both the cases are identical; the same has been quashed in **Nikhil Merchant** (supra) which decision has been endorsed by a larger Bench in **Gian Singh** (supra) and also in **Narendra Lal Jain** (supra). It is, therefore, contended that the criminal proceeding against the accused-appellant is liable to be quashed and the impugned order passed by the High Court set aside.

7. On the contrary, Shri Sidharth Luthra, learned Additional Solicitor General has submitted that the decision in **Nikhil Merchant** (supra) turns on its own facts and what has been approved in **Gian Singh** (supra) is merely the principle of law laid down in **Nikhil Merchant** (supra),

namely, that quashing a non-compoundable offence under Section 482 Cr.P.C., following the settlement between the parties, does not amount to a circumvention of the provisions of Section 320 of the Code of Criminal Procedure. Notwithstanding the above, according to Shri Luthra, whether a criminal proceeding should or should not be interdicted midway would really depend on the facts of each case. Shri Luthra has also drawn our attention to the observations made in para 61 of the judgment in **Gian Singh** (supra) wherein this Court had carved out an exception by observing that,

“heinous and serious offences of mental depravity or offences like murder, rape, dacoity, etc. cannot be fittingly quashed even though the victim or victim’s family and the offender have settled the dispute. Such offences are not private in nature and have a serious impact on society. Similarly, any compromise between the victim and the offender in relation to the offences under special statutes like the Prevention of

Corruption Act or the offences committed by public servants while working in that capacity, etc.; cannot provide for any basis for quashing criminal proceedings involving such offences."

According to Shri Luthra in view of the above and having regard to the charges framed in the present case the High Court was fully justified in declining to quash the criminal proceeding against the accused.

8. Insofar as the judgment in **Narendra Lal Jain** (supra) is concerned, Shri Luthra has pointed out that in the aforesaid case the accused was charged for the offence under Section 120B read with Section 420 of the IPC whereas in the present case the charges against the accused-appellant are under Section 120-B read with Section 13(2) read with Section 13(1)(d) of the Prevention of Corruption Act and Section 420/471 of the Indian Penal Code. It is submitted that the offences under the Prevention of Corruption Act and Section 471 of Indian Penal Code are not compoundable.

9. We have also heard Shri P. Suresh Kumar, learned senior counsel for the respondent No.2-bank who had admitted the payment of the entire amount due from the accused-appellant under the transaction in question. Learned counsel has, however, submitted that in written acknowledgment issued by the Bank there is no mention regarding any 'settlement' of the criminal case against the accused-appellant insofar as the bank is concerned.

10. The charges framed against the accused-appellant, it may be repeated, are under Section 120-B IPC read with Section 13(2) read with Section 13(1)(d) of the PC Act and Sections 420/471 of the IPC. It is true that in **Nikhil Merchant** (supra) the charges framed against the accused were also under Sections 120-B read with Section 5(2) and 5(1) (d) of the PC Act, 1947 (Section 13(2) read with 13(1)(d) of the PC Act, 1988) and Sections 420, 467, 468, 471 of the Indian Penal Code. However, in para 28 of the judgment in **Nikhil Merchant** (supra) on a consideration of the totality of the facts and circumstances in which the charges were

brought against the accused this Court had come to the following conclusion:-

***"28.** The basic intention of the accused in this case appears to have been to misrepresent the financial status of the Company, M/s Neemuch Emballage Ltd., Mumbai, in order to avail of the credit facilities to an extent to which the Company was not entitled. In other words, the main intention of the Company and its officers was to cheat the Bank and induce it to part with additional amounts of credit to which the Company was not otherwise entitled."*

The Court, thereafter, took into account the fact that the dispute between the parties had been settled/compromised and such compromise formed a part of the decree passed in the suit filed by the bank. After holding that the power under Section 482 Cr.P.C. to quash a criminal proceeding was not contingent on the provisions of Section 320 of the Code of Criminal Procedure, and taking into account the conclusion recorded in para 28 of the judgment, as noticed above, the Court ultimately concluded that in the facts of the case (**Nikhil Merchant**) it would be justified to quash the criminal proceeding. In this regard, it is important

to note that the Court in **Nikhil Merchant** (supra) had come to the conclusion that *“the dispute involved herein has overtones of a civil dispute with certain criminal overtones.”*

11. The decisions in **Nikhil Merchant** (supra) as well as in some other cases namely **B.S. Joshi** vs. **State of Haryana**⁴ and **Manoj Sharma** vs. **State**⁵ were referred to a larger Bench in **Gian Singh** (supra) for an authoritative pronouncement as to whether in the said cases this Court had **“indirectly permitted compounding of non-compoundable offences”**. The larger Bench hearing the matter in its judgment² took the view that the,

“Quashing of offence or criminal proceedings on the ground of settlement between an offender and victim is not the same thing as compounding of offence. Strictly speaking, the power of compounding of offences given to a court under Section 320 is materially different from the quashing of criminal proceedings by the High Court in exercise of its inherent jurisdiction.”
[Para 57]

⁴ (2003) 4 SCC 675

⁵ (2008) 16 SCC 1

² Gian Singh Vs. State of Punjab & Anr. (2012) 10 SCC 303

Eventually, in para 61 the note of caution insofar as heinous and grave offences and offences under special laws, as already noticed, was sounded and it was held that **Nikhil Merchant** (supra), **B.S. Joshi** vs. **State of Haryana** (supra) and **Manoj Sharma** vs. **State** (supra) were correctly decided.

12. Reference of a case to a larger Bench necessarily has to be for a reconsideration of the principle of law on which the case has been decided and not the merits of the decision. The decision rendered by any Bench is final inter-parte, subject to the power of review and the curative power. Any other view would have the effect of conferring some kind of an appellate power in a larger Bench of this Court which cannot be countenanced. However, the principle of law on which the decision based is open to reconsideration by a larger Bench in an appropriate case. It is from the aforesaid perspective that the reference in **Gian Singh** (supra) has to be understood, namely, whether quashing of a non-compoundable offence on the basis of a

compromise/settlement of the dispute between the parties would be permissible and would not amount to overreaching the provisions of Section 320 of the Code of Criminal Procedure. In fact, this is the question that was referred to the larger Bench in **Gian Singh** (supra) and not the merits of the decision in **Nikhil Merchant** (supra).

13. The decision in **Gian Singh** (supra) holding the decision rendered in **Nikhil Merchant** (supra) and other cases to be correct is only an approval of the principle of law enunciated in the said decisions i.e. that a non-compoundable offence can also be quashed under Section 482 CrPC on the ground of a settlement between the offender and the victim. It is not an affirmation, for there can be none, that the facts in **Nikhil Merchant** (supra) justified/called for the due application of the aforesaid principle of law. Also, neither **Nikhil Merchant** (supra) nor **Gian Singh** (supra) can be understood to mean that in a case where charges are framed for commission of non-compoundable offences or for criminal conspiracy to commit

offences under the PC Act, if the disputes between the parties are settled by payment of the amounts due, the criminal proceedings should invariably be quashed. What really follows from the decision in **Gian Singh** (supra) is that though quashing a non-compoundable offence under Section 482 CrPC, following a settlement between the parties, would not amount to circumvention of the provisions of Section 320 of the Code the exercise of the power under Section 482 will always depend on the facts of each case. Furthermore, in the exercise of such power, the note of caution sounded in **Gian Singh** (supra) (para 61) must be kept in mind. This, in our view, is the correct ratio of the decision in **Gian Singh** (supra).

14. The aforesaid principle of law may now be applied to the facts of the present case. At the very outset a detailed narration of the charges against the accused-appellant has been made. The appellant has been charged with the offence of criminal conspiracy to commit the offence under Section 13(1)(d). He is also substantively charged under

Section 420 (compoundable with the leave of the Court) and Section 471 (non-compoundable). A careful consideration of the facts of the case would indicate that unlike in **Nikhil Merchant** (supra) no conclusion can be reached that the substratum of the charges against the accused-appellant in the present case is one of cheating nor are the facts similar to those in **Narendra Lal Jain** (supra) where the accused was charged under Section 120-B read with Section 420 IPC only. The offences are certainly more serious; they are not private in nature. The charge of conspiracy is to commit offences under the Prevention of Corruption Act. The accused has also been charged for commission of the substantive offence under Section 471 IPC. Though the amounts due have been paid the same is under a private settlement between the parties unlike in **Nikhil Merchant** (supra) and **Narendra Lal Jain** (supra) where the compromise was a part of the decree of the Court. There is no acknowledgement on the part of the bank of the exoneration of the criminal liability of the accused-appellant

unlike the terms of compromise decree in the aforesaid two cases. In the totality of the facts stated above, if the High Court has taken the view that the exclusion spelt out in **Gian Singh** (supra) (para 61) applies to the present case and on that basis had come to the conclusion that the power under Section 482 CrPC should not be exercised to quash the criminal case against the accused, we cannot find any justification to interfere with the said decision. The appeal filed by the accused is, therefore, dismissed and the order dated 25.06.2013 of the High Court, is affirmed.

.....CJI.
[P. SATHASIVAM]

.....J.
[RANJAN GOGOI]

.....J.
[N.V. RAMANA]

**NEW DELHI,
APRIL 7, 2014.**