[2025] 5 S.C.R. 94 : 2025 INSC 490

The Correspondence, RBANMS Educational Institution
v.
B. Gunashekar & Another

(Civil Appeal No. 5200 of 2025)

16 April 2025

[J.B. Pardiwala and R. Mahadevan,* JJ.]

Issue for Consideration

Issue arose as regards the correctness of the order passed by the High Court and the trial court rejecting the application filed by the appellant u/Ord.VII r.11(a) and (d) CPC for the rejection of plaint.

Headnotes†

Code of Civil Procedure, 1908 – Ord.VII r.11 – Rejection of plaint – Appellant Institute in possession of suit property since 1905 – Respondents filed suit seeking permanent injunction restraining appellant from creating any third-party interest over the property based on an alleged agreement to sell executed by respondents with a third party – Respondents paid Rs.75,00,000/- in cash as advance – Appellant filed application u/Ord.VII r.11 seeking rejection of plaint – Both the trial court and the High Court rejected the same – Correctness:

Held: Agreement for sale does not confer any right to the purchaser to file a suit against a third party who is either the owner or in possession, or who claims to be the owner and to be in possession – Respondents' claim suffered from multiple fatal defects – No privity between the respondents and the appellant – Suit at the instance of the respondents not maintainable and only the vendors could have approached the court for a relief of declaration – Respondents had no legal right that could be enforced against the appellant as their claim impliedly barred by virtue of s.54 of TPA – Respondents not in possession and the appellant in settled possession for over a century, suit for bare injunction by proposed transferee not maintainable – Respondents, being mere agreement holders, had no personal interest in the suit schedule property that could be enforced against third parties – No declaratory relief was sought – Respondents sought only relief of permanent injunction restraining

* Author

the appellant from alienating the property, without a declaration affirming the title of their vendors – Without possession and without seeking a declaration of title, not only the suit is barred but the cause of action also fictitious – High Court without noticing the said defects in the plaint, dismissed the application filed by the appellant – When the defects go to the root of the case, barred by law with fictitious allegations and are incurable, no amount of evidence can salvage plaintiffs' case – Furthermore, public interest implications of the instant case are significant consideration – Such institutions must be protected from speculative litigation that can drain their resources and impede their charitable work – Allowing suits like the instant one to proceed to trial, would waste judicial time and resources, and encourage similar speculative and extortionate litigations – Respondents having paid Rs.75,00,000/- by cash, despite the introduction of s.269ST IT Act and the amendment to s.271 DA, not only creates suspicion on the transaction, but also displays violation of law – Ignorance in fact is excusable but not the ignorance in law – Thus, the plaint ought to have been rejected u/Ord. VII r.11(a) and (d) – Orders passed by the High Court as well as trial court rejecting the application filed by the appellant, cannot be sustained in law and is set aside – Transfer of Property Act, 1882 – s.52, 53-A, 54. [Paras 15.1-20]

Code of Civil Procedure, 1908 – Ord.VII r.11 – Rejection of plaint – Scope:

Held: Ord. VII r.11 serves as a crucial filter in civil litigation, enabling courts to terminate proceedings at the threshold where the plaintiff's case, even if accepted in its entirety, fails to disclose any cause of action or is barred by law, either express or by implication – There is a bounden duty on the Court to discern and identify fictitious suit, which on the face of it would be barred, but for the clever pleadings disclosing a cause of action, that is surreal – Generally, sub-clauses (a) and (d) are stand alone grounds, that can be raised by the defendant in a suit – However, it cannot be ruled out that under certain circumstances, clauses (a) and (d) can be mutually inclusive – When clever drafting veils the implied bar to disclose the cause of action; it then becomes the duty of the Court to lift the veil and expose the bar to reject the suit at the threshold – Power to reject a plaint under this provision is not merely procedural but substantive, aimed at preventing abuse of the judicial process and ensuring that court

time is not wasted on fictitious claims failing to disclose any cause of action to sustain the suit or barred by law – Merely including a paragraph on cause of action not sufficient but rather, on a meaningful reading of the plaint and the documents, it must disclose cause of action – Plaint should contain such cause of action that discloses all necessary facts required in law to sustain the suit and not mere statements of fact which fail to disclose a legal right of the plaintiff to sue and breach or violation by the defendant(s). [Paras 14-15]

Constitution of India – Art. 141 – Applicability of the ratio laid down by this Court, irrespective of the stage at which it is relied upon:

Held: Ratio laid down by this court, is applicable irrespective of the stage at which it is relied upon – Ratio is relevant and not the stage – Once a ratio is laid down, the courts have to apply the ratio, considering the facts of the case and once, found to be applicable, irrespective of the stage, the same has to be applied, to throw out frivolous suits. [Para 15.2.3]

Income Tax Act, 1961 – s.269ST – Penalty on cash receipt of more than 2 lakh – Purpose and application of s.269ST – Issuance of directions by the Supreme Court:

Held: s.269ST was introduced to curb black money by digitalising the transactions above Rs.2,00,000/- – Most times, such transactions go unnoticed or not brought to the knowledge of the income tax authorities – Ignorance in fact is excusable but not the ignorance in law – Thus, issuance of directions that whenever suit filed with claim that Rs. 2,00,000/- and above is paid by cash towards any transaction, the courts must intimate the same to the jurisdictional Income Tax Department to verify the transaction and the violation of s.269ST, if any' – Income Tax authority to take appropriate steps if such cases come to their notice – Whenever, a sum of Rs. 2,00,000/- and above is claimed to be paid by cash towards consideration for conveyance of any immovable property in a document presented for registration, the jurisdictional Sub-Registrar to intimate the same to the jurisdictional Income Tax Authority – Whenever, it comes to the knowledge of any Income Tax Authority that a sum of Rs. 2,00,000/- or above has been paid by way of consideration in any transaction relating to any immovable property from any other source or during the course of search or

assessment proceedings, the failure of the registering authority to be brought to the knowledge of the Chief Secretary of the State/ UT for initiating appropriate disciplinary action against such officer who failed to intimate the transactions. [Para 18.1]

Case Law Cited

Rambhau Namdeo Gajre v. Narayan Bapuji Dhotra Dead throught LRs. & Anr. **[2004] Supp. 3 SCR 817 : (2004) 8 SCC 614;** *Suraj Lamp & Industries (P) Ltd. v. State of Haryana & Another* **[2011] 11 SCR 848 : (2012) 1 SCC 656;** *K. Basavarajappa v. Tax Recovery Commissioner, Bangalore & Others* **[1996] Supp. 7 SCR 523 : (1996) 11 SCC 632;** *Jharkhand State Housing Board v. Didar Singh & Another* **(2019) 17 SCC 692;** *Premji Ratansey Shah & Others v. Union of India & Others* **[1994] Supp. 2 SCR 117 : (1994) 5 SCC 547;** *T. Arivandandam v. T.V. Satyapal & Another* **[1978] 1 SCR 742 : (1977) 4 SCC 467;** *P.V. Guru Raj Reddy v. P. Neeradha Reddy & Others* **[2015] 1 SCR 1108 : (2015) 8 SCC 331;** *Soumitra Kumar Sen v. Shyamal Kumar Sen & Others* **(2018) 5 SCC 644;** *Dahiben v. Arvindbhai Kalyanji Bhanusali (Gajra) dead through legal representatives* **[2020] 5 SCR 694 : (2020) 7 SCC 366;** *Om Prakash Srivastava v. Union of India & Another* **[2006] Supp. 3 SCR 803 : (2006) 6 SCC 207;** *Cosmos Co. Operative Bank Ltd v. Central Bank of India & Ors.,* **2025 SCC OnLine SC 352;** *Anathula Sudhakar v. P. Buchi Reddy (Dead) by LRs and others* **[2008] 5 SCR 331 : AIR 2008 SC 2033 – referred to.**

List of Acts

Transfer of Property Act, 1882; Specific Relief Act, 1963; Income Tax Act, 1961; Contract Act, 1872; Registration Act, 1908.

List of Keywords

Agreement to sell immovable property; Consideration in cash; Rejection of plaint; Suspicious circumstances surrounding the agreement; Title; Fictitious suit; Abuse of judicial process; Privity between parties; Relief of declaration; Vendors not parties to suit; Personal interest; Right to sue; Incurable defects in case; Fictitious cause of action; Public interest implications; Impeding charitable work; Curbing black money; Digital economy; Budget speech 2017; Dark economy; Finance Bill 2017; Cap on cash transactions; Ignorance in law.

Case Arising From

CIVIL APPELLATE JURISDICTION: Civil Appeal No. 5200 of 2025

From the Judgment and Order dated 02.06.2022 of the High Court of Karnataka at Bengaluru in CRP No. 130 of 2021

Appearances for Parties

Advs. for the Appellant:
Ms. Asmita Singh, Tushar Nair.

Advs. for the Respondents:
Abraham Mathews, S Shivaprasad, Nishe Rajen Shonker.

Judgment / Order of the Supreme Court

Judgment

R. Mahadevan, J.

Leave granted.

2. The present appeal challenges the order dated 02.06.2022 passed by the High Court of Karnataka at Bengaluru[1] in Civil Revision Petition No.130 of 2021, whereby the High Court dismissed the revision petition filed by the appellant against the order of the trial Court dated 11.06.2021 rejecting their application filed under Order VII Rule 11(a) and (d) of the Code of Civil Procedure, 1908[2] for rejection of the plaint.

3. On 12.08.2022, when the matter was taken up for consideration, this Court has passed the following order:

> *"Issue notice, returnable in six weeks.*
>
> *There will be stay of the operation of proceedings in OS No.25968 of 2018 pending before the Court of XIII Addl. City Civil & Sessions Judge, MayoHall Unit, Bengaluru (CCH-22) till the next date of hearing."*

1 Hereinafter referred to as "the High Court"

2 For short, "CPC"

3.1. On 22.11.2024, the aforesaid interim order was extended by this Court and is in force till date.

BRIEF FACTS

4. The appellant *viz.*, R.B.A.N.M.S. Educational Institution, was established in the year 1873 as a public charitable trust, dedicated to serving first-generation learners from marginalized communities in urban Bangalore. In 1905, a significant parcel of land, then known as 'the Sappers Practice Ground,' was leased to the appellant. Subsequently, in 1929, this property was formally conveyed to the appellant by the Municipal Commissioner of Civil and Military Station of Bangalore. Since then, the appellant has been in continuous possession of the said property, utilizing it for various educational purposes including Pre-University Colleges, first-grade degree colleges, and sporting facilities serving both their institutions and the youth of Bangalore.

5. The respondents filed a suit bearing O.S.No.25968 of 2018 against the appellant, before the City Civil Court and Sessions Judge at Bangalore, seeking permanent injunction restraining the appellant from creating any third-party interest over the suit schedule property, based on an alleged agreement to sell executed by the respondents and Ramesh S. Reddy with one Maheshwari Ranganathan and others, in respect of the suit schedule property, on 10th April, 2018 for a sale consideration of Rs.9,00,00,000/-, for which, they claim to have paid Rs.75,00,000/- as an advance payment. It was alleged in the plaint that the appellant was trying to manipulate the title deeds of the suit schedule property with an intention to alienate or dispose of the same to third parties.

6. After service of summons, the appellant filed an application bearing I.A. No. 3 of 2018 under Order VII Rule 11(a) and (d) CPC, seeking rejection of the plaint, *inter alia* stating that the respondents are only agreement holders and not owners of the suit schedule property and that, mere execution of an agreement to sell does not create or confer any right or interest in the property in favour of the proposed purchasers.

7. The respondents filed their objections to the aforesaid application filed by the appellant.

8. Upon hearing both sides, the trial Court rejected the aforesaid application seeking rejection of the plaint on 03.06.2020. Challenging

the same, the appellant preferred C.R.P. No. 205 of 2020, which was allowed in part, by the High Court *vide* order dated 19.11.2020. The operative portion of the order reads as under:

> *"The petition is allowed in part. The impugned order dated 3.6.2020 in O.S.No.25968/2018 on the XIII Additional City Civil and Sessions Judge, Mayohall Unit, Bengaluru is set aside. The petitioner's application filed under Order VII Rule 11(a) and (d) of Code of Civil Procedure is restored for reconsideration calling upon the Civil Court to decide on merits of the application in accordance with law in the light of the grounds urged in an expedited manner but within an outer limit of three months from the date of first hearing after this order."*

9. Pursuant to the aforesaid order, the trial Court reconsidered the application filed under Order VII Rule 11(a) and (d) CPC and ultimately, rejected the same, on 11.06.2021. Aggrieved by the same, the appellant preferred Civil Revision Petition No. 130 of 2021 before the High Court and the same also ended in dismissal by the order impugned herein. Therefore, the appellant is before us with the present appeal.

CONTENTIONS OF THE PARTIES

10. The learned counsel appearing for the appellant submitted that the alleged agreement to sell, which forms the fundamental basis of the suit, cannot create any interest in the suit schedule property as per Section 54 of the Transfer of Property Act, 1882. In this regard, the learned counsel relied on the judgment in *Rambhau Namdeo Gajre v. Narayan Bapuji Dhotra Dead throught LRs. & Anr.*,[3] wherein, this Court held that a mere agreement to sell does not create any interest in the property. This position was further reinforced in the judgment in *Suraj Lamp & Industries (P) Ltd. v. State of Haryana & Another*[4], which reiterated that a contract for sale merely confers a limited right under Section 53-A of the Transfer of Property Act, 1882. The learned counsel also highlighted the practical application of this principle in *K. Basavarajappa v. Tax Recovery Commissioner,*

3 (2004) 8 SCC 614

4 (2012) 1 SCC 656

Bangalore & Others,[5] in which, it was held by this Court that a proposed vendee with an agreement to sell lacks *locus standi* to challenge third-party rights.

10.1. The learned counsel emphasized the suspicious circumstances surrounding the alleged agreement to sell i.e., the purported vendors have not been made parties to the suit, their addresses were conspicuously absent in the plaint, and the entire advance payment of Rs.75 lakhs was claimed to have been made in cash without any documentary proof. Additionally, the learned counsel invited our attention to the respondents' pattern of filing similar suits in respect of the other valuable properties in Bangalore, suggesting a systematic attempt at land grabbing through dubious agreements to sell.

10.2. The learned counsel further pointed out impropriety of maintaining a pure injunction suit where title itself is in dispute. Citing the decision of this court in *Jharkhand State Housing Board v. Didar Singh & Another*,[6] the learned counsel contended that when there is a cloud over title, a suit merely for injunction without seeking declaration of title is not maintainable. Referring to the decision in *Premji Ratansey Shah & Others v. Union of India & Others*,[7] the learned counsel contended that Section 41(h) and (j) of the Specific Relief Act, 1963, bars grant of injunction when equally efficacious relief is available through other means and when the plaintiffs have no personal interest in the property. Ultimately, the learned counsel submitted that applying the ratio laid down in the decision in *T. Arivandandam v. T.V. Satyapal & Another*[8] to the facts of the present case, the plaint is barred by law and does not disclose a right to sue against the appellant herein on the basis of an agreement to sell executed by the respondents, with third parties.

10.3. With these submissions and case laws, the learned counsel prayed that this appeal will have to be allowed and the suit filed by the respondents deserves to be rejected under Order VII Rule 11 CPC.

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5 (1996) 11 SCC 632

6 (2019) 17 SCC 692

7 (1994) 5 SCC 547

8 (1977) 4 SCC 467

11. Per contra, the learned counsel appearing for the respondents would submit that at the stage of considering an application under Order VII Rule 11 CPC, the court must confine itself to the averments in the plaint without examining the defense or other external materials. Placing reliance on the decisions in *P.V. Guru Raj Reddy v. P. Neeradha Reddy & Others*[9] and *Soumitra Kumar Sen v. Shyamal Kumar Sen & Others,*[10] the learned counsel proceeded to argue that the plaint's averments must be accepted as true at this stage, and the defendant's objections are immaterial.

    11.1. According to the learned counsel, the suit was filed to protect the respondents' legitimate interests over the property in question under the agreement to sell, apprehending alienation of the property by third parties. Further, the learned counsel distinguished the decisions cited by the appellant, particularly that in *Rambhau Namdeo Gajre (supra)* and contended that it was decided after full trial and examination of evidence, unlike the present case where the cause of action stems from the agreement itself. The learned counsel also sought to differentiate the decision in *T. Arivandandam (supra)* noting that unlike that case which involved vexatious litigation following lost eviction proceedings, the present matter involved genuine rights under a registered agreement to sell. The learned counsel further submitted that rejection of plaint is a drastic remedy that should be exercised sparingly, only when the plaint is manifestly vexatious and meritless; and that, the proper course would be for the appellant to file a written statement and contest the suit on merits, rather than seeking rejection of the plaint at the threshold.

    11.2. It is further submitted that both the Courts below have examined the plaint in the light of Order VII Rule 11 (a) CPC to ascertain that it does indeed make out a valid cause of action, i.e., that the Respondents have acquired an interest in the property by virtue of the agreement to sell dated 10.04.2018 and hence, if the claim of the appellant is that they hold a valid title to the property, it is for them to prove the same during trial.

9 (2015) 8 SCC 331

10 (2018) 5 SCC 644

11.3. The learned counsel also submitted that the appellant is misguided in asserting that the provisions of Section 53-A of the Transfer of Property Act, 1882 act as a bar against parties or interlopers who are not party to the transaction envisaged in that section. That apart, the decision in *K. Basavarajappa (supra)* does not apply to the facts of the present case, for that the same was about whether an agreement to sell will stand in the way of the property being sold under auction for tax recovery purposes and the same cannot and should not be used as a device to defeat the suit at the threshold.

11.4. Therefore, according to the learned counsel, the impugned order of the High Court does not require any interference at the hands of this court.

DISCUSSION AND FINDINGS

12. We have heard the learned counsel appearing for both sides and perused the materials available record.

13. Seemingly, the appellant institution's journey began nearly 150 years ago, and its possession of the disputed property dates back to 1905, when it was initially leased and subsequently conveyed by the Commissioner of Civil and Military Station of Bangalore. The present dispute arose when the respondents filed a suit in O.S. No. 25968 of 2018 seeking permanent injunction against the appellant. The respondents' claim rests entirely on an agreement to sell dated 10.04.2018, purportedly executed by certain individuals who, notably, are not parties to the suit. The appellant, confronted with this litigation, filed an application under Order VII Rule 11(a) and (d) CPC seeking rejection of the plaint. Both the trial court and the High Court rejected the said application filed by the appellant. Hence, this appeal came to be filed by the appellant before us.

14. Let us first examine the scope and purpose of Order VII Rule 11 CPC.[11] This Court in *Dahiben v. Arvindbhai Kalyanji Bhanusali*

11 "11. Rejection of plaint.– The plaint shall be rejected in the following cases–
(a) where it does not disclose a cause of action;
(b) where the relief claimed in undervalued, and the plaintiff, on being required by the Court to correct the valuation within a time to be fixed by the Court, fails to do so;
(c) where the relief claimed is properly valued but the plaint is written upon paper insufficiently stamped, and the plaintiff, on being required by the Court to supply the requisite stamp-paper within a time to be fixed by the Court, fails to do so;

(Gajra) dead through legal representatives[12], explained in detail the applicable law for deciding the application for rejection of the plaint. The relevant paragraphs of the said decision are reproduced below:

> *"23.1 …*
>
> *23.2. The remedy under Order VII Rule 11 is an independent and special remedy, wherein the Court is empowered to summarily dismiss a suit at the threshold, without proceeding to record evidence, and conducting a trial, on the basis of the evidence adduced, if it is satisfied that the action should be terminated on any of the grounds contained in this provision.*
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> *23.3. The underlying object of Order VII Rule 11 (a) is that if in a suit, no cause of action is disclosed, or the suit is barred by limitation under Rule 11 (d), the Court would not permit the plaintiff to unnecessarily protract the proceedings in the suit. In such a case, it would be necessary to put an end to the sham litigation, so that further judicial time is not wasted.*
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> *23.4. In Azhar Hussain v. Rajiv Gandhi*[13] *this Court held that the whole purpose of conferment of powers under this provision is to ensure that a litigation which is meaningless, and bound to prove abortive, should not be permitted to waste judicial time of the court, in the following words : (SCC p.324, para 12)*
>
> > *"12. …The whole purpose of conferment of such power is to ensure that a litigation which is meaningless, and bound to prove abortive should not be permitted to occupy the time of the Court, and exercise the mind*

(d) where the suit appears from the statement in the plaint to be barred by any law;
(e) where it is not filed in duplicate;
(f) where the plaintiff fails to comply with the provisions of rule 9:
Provided that the time fixed by the Court for the correction of the valuation or supplying of the requisite stamp paper shall not be extended unless the Court, for reasons to be recorded, is satisfied that the plaintiff was prevent by any cause of exceptional nature for correction the valuation or supplying the requisite stamp-paper, as the case may be, within the time fixed by the Court and that refusal to extend such time would cause grave injustice to the plaintiff."

12 (2020) 7 SCC 366 : 2020 SCC OnLine SC 562

13 1986 Supp SCC 315. Followed in Manvendrasinhji Ranjitsinhji Jadeja v. Vijaykunverba, 1998 SCC OnLine Guj 281 : (1998) 2 GLH 823

of the respondent. The sword of Damocles need not be kept hanging over his head unnecessarily without point or purpose. Even in an ordinary civil litigation, the Court readily exercises the power to reject a plaint, if it does not disclose any cause of action."

23.5. The power conferred on the court to terminate a civil action is, however, a drastic one, and the conditions enumerated in Order VII Rule 11 are required to be strictly adhered to.

23.6. Under Order VII Rule 11, a duty is cast on the Court to determine whether the plaint discloses a cause of action by scrutinizing the averments in the plaint[14] read in conjunction with the documents relied upon, or whether the suit is barred by any law.

23.7. Order VII Rule 14(1) provides for production of documents, on which the plaintiff places reliance in his suit, which reads as under:

"14. Production of document on which plaintiff sues or relies.– (1)Where a plaintiff sues upon a document or relies upon document in his possession or power in support of his claim, he shall enter such documents in a list, and shall produce it in Court when the plaint is presented by him and shall, at the same time deliver the document and a copy thereof, to be filed with the plaint.

(2) Where any such document is not in the possession or power of the plaintiff, he shall, wherever possible, state in whose possession or power it is.

(3) A document which ought to be produced in Court by the plaintiff when the plaint is presented, or to be entered in the list to be added or annexed to the plaint but is not produced or entered accordingly, shall not, without the leave of the Court, be received in evidence on his behalf at the hearing of the suit.

14 Liverpool & London S.P. & I Assn. Ltd. V. M.V. Sea Success I (2004) 9 SCC 512

> *(4) Nothing in this rule shall apply to document produced for the cross examination of the plaintiff's witnesses, or, handed over to a witness merely to refresh his memory."*
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> *(emphasis supplied)*

23.8. Having regard to Order VII Rule 14 CPC, the documents filed alongwith the plaint, are required to be taken into consideration for deciding the application under Order VII Rule 11(a). When a document referred to in the plaint, forms the basis of the plaint, it should be treated as a part of the plaint.

23.9. In exercise of power under this provision, the Court would determine if the assertions made in the plaint are contrary to statutory law, or judicial dicta, for deciding whether a case for rejecting the plaint at the threshold is made out.

23.10. At this stage, the pleas taken by the defendant in the written statement and application for rejection of the plaint on the merits, would be irrelevant, and cannot be adverted to, or taken into consideration[15].

23.11. The test for exercising the power under Order VII Rule 11 is that if the averments made in the plaint are taken in entirety, in conjunction with the documents relied upon, would the same result in a decree being passed. This test was laid down in Liverpool & London S.P. & I Assn. Ltd. v. M.V.Sea Success I which reads as : (SCC p.562, para 139)

> *"139. Whether a plaint discloses a cause of action or not is essentially a question of fact. But whether it does or does not must be found out from reading the plaint itself. For the said purpose, the averments made in the plaint in their entirety must be held to be correct. The test is as to whether if the averments made in the plaint are taken to be correct in their entirety, a decree would be passed."*

15 Sopan Sukhdeo Sable v. Charity Commr. (2004) 3 SCC 137

23.12. In Hardesh Ores (P.) Ltd. v. Hede & Co.[16] the Court further held that it is not permissible to cull out a sentence or a passage, and to read it in isolation. It is the substance, and not merely the form, which has to be looked into. The plaint has to be construed as it stands, without addition or subtraction of words. If the allegations in the plaint prima facie show a cause of action, the court cannot embark upon an enquiry whether the allegations are true in fact. D.Ramachandran v. R.V.Janakiraman[17].

23.13. If on a meaningful reading of the plaint, it is found that the suit is manifestly vexatious and without any merit, and does not disclose a right to sue, the court would be justified in exercising the power under Order VII Rule 11 CPC.

23.14. The power under Order VII Rule 11 CPC may be exercised by the Court at any stage of the suit, either before registering the plaint, or after issuing summons to the defendant, or before conclusion of the trial, as held by this Court in the judgment of Saleem Bhai v. State of Maharashtra[18]. The plea that once issues are framed, the matter must necessarily go to trial was repelled by this Court in Azhar Hussain (supra).

23.15. The provision of Order VII Rule 11 is mandatory in nature. It states that the plaint "shall" be rejected if any of the grounds specified in clause (a) to (e) are made out. If the Court finds that the plaint does not disclose a cause of action, or that the suit is barred by any law, the Court has no option, but to reject the plaint.

24. "Cause of action" means every fact which would be necessary for the plaintiff to prove, if traversed, in order to support his right to judgment. It consists of a bundle of material facts, which are necessary for the plaintiff to prove in order to entitle him to the reliefs claimed in the suit.

16 (2007) 5 SCC 614

17 (1999) 3 SCC 267

18 (2003) 1 SCC 557

24.1. In Swamy Atmanand v. Sri Ramakrishna Tapovanam[19] this Court held:

> *"24. A cause of action, thus, means every fact, which if traversed, it would be necessary for the plaintiff to prove an order to support his right to a judgment of the court. In other words, it is a bundle of facts, which taken with the law applicable to them gives the plaintiff a right to relief against the defendant. It must include some act done by the defendant since in the absence of such an act, no cause of action can possibly accrue. It is not limited to the actual infringement of the right sued on but includes all the material facts on which it is founded"*
>
> *(emphasis supplied)*

24.2. In T. Arivandandam v. T.V. Satyapal[20] this Court held that while considering an application under Order VII Rule 11 CPC what is required to be decided is whether the plaint discloses a real cause of action, or something purely illusory, in the following words: (SCC p. 470, para 5)

> *"5. …The learned Munsif must remember that if on a meaningful – not formal – reading of the plaint it is manifestly vexatious, and meritless, in the sense of not disclosing a clear right to sue, he should exercise his power under Order VII, Rule 11 C.P.C. taking care to see that the ground mentioned therein is fulfilled. And, if clever drafting has created the illusion of a cause of action, nip it in the bud at the first hearing …"*
>
> *(emphasis supplied)*

24.3. Subsequently, in I.T.C. Ltd. v. Debt Recovery Appellate Tribunal[21] this Court held that law cannot permit clever drafting which creates illusions of a cause of action. What is required is that a clear right must be made out in the plaint.

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19 (2005) 10 SCC 51

20 (1977) 4 SCC 467

21 (1998) 2 SCC 170

24.4. If, however, by clever drafting of the plaint, it has created the illusion of a cause of action, this Court in Madanuri Sri Ramachandra Murthy v. Syed Jalal[22] *held that it should be nipped in the bud, so that bogus litigation will end at the earliest stage. The Court must be vigilant against any camouflage or suppression, and determine whether the litigation is utterly vexatious, and an abuse of the process of the court.*

…..

28. A three-Judge Bench of this Court in State of Punjab v. Gurdev Singh[23] *held that the Court must examine the plaint and determine when the right to sue first accrued to the plaintiff, and whether on the assumed facts, the plaint is within time. The words "right to sue" means the right to seek relief by means of legal proceedings. The right to sue accrues only when the cause of action arises. The suit must be instituted when the right asserted in the suit is infringed, or when there is a clear and unequivocal threat to infringe such right by the defendant against whom the suit is instituted. Order VII Rule 11(d) provides that where a suit appears from the averments in the plaint to be barred by any law, the plaint shall be rejected."*

14.1. Thus, it is clear that the above provision *viz.*, Order VII Rule 11 CPC serves as a crucial filter in civil litigation, enabling courts to terminate proceedings at the threshold where the plaintiff's case, even if accepted in its entirety, fails to disclose any cause of action or is barred by law, either express or by implication. The scope of Order VII Rule 11 CPC and the authority of the courts is well settled in law. There is a bounden duty on the Court to discern and identify fictitious suit, which on the face of it would be barred, but for the clever pleadings disclosing a cause of action, that is surreal. Generally, sub-clauses (a) and (d) are stand alone grounds, that can be raised by the defendant in a suit. However, it cannot be ruled out that under certain circumstances, clauses (a) and (d) can be mutually

22 (2017) 13 SCC 174

23 (1991) 4 SCC 1 : 1991 SCC (L&S) 1082

inclusive. For instances, when clever drafting veils the implied bar to disclose the cause of action; it then becomes the duty of the Court to lift the veil and expose the bar to reject the suit at the threshold. The power to reject a plaint under this provision is not merely procedural but substantive, aimed at preventing abuse of the judicial process and ensuring that court time is not wasted on fictitious claims failing to disclose any cause of action to sustain the suit or barred by law. Therefore, the appeal before us requires careful consideration of the scope of rejection of the plaint under Order VII Rule 11 CPC, particularly, in the context of the suit filed based on an agreement to sell against third parties in possession.

15. Order VII Rule 11(a) CPC mandates rejection of the plaint where it does not disclose a cause of action. In *Om Prakash Srivastava v. Union of India & Another*,[24] this Court pointed out that cause of action means every fact which, if traversed, would be necessary for the plaintiff to prove in order to support their right to judgment. It consists of bundle of facts which narrate the circumstances and the reasons for filing such suit. It is the foundation on which the entire suit would rest. Therefore, it goes without saying that merely including a paragraph on cause of action is not sufficient but rather, on a meaningful reading of the plaint and the documents, it must disclose a cause of action. The plaint should contain such cause of action that discloses all the necessary facts required in law to sustain the suit and not mere statements of fact which fail to disclose a legal right of the plaintiff to sue and breach or violation by the defendant(s). It is pertinent to note here that even if a right is found, unless there is a violation or breach of that right by the defendant, the cause of action should be deemed to be unreal. This is where the substantive laws like Specific Relief Act, 1963, Contract Act, 1872, and Transfer of Property Act, 1882, come into operation. A pure question of law that can be decided at the early stage of litigation, ought to be decided at the earliest stage. In the present case, the respondents' claim based on an agreement to sell. The legal effect of such an agreement must be examined in light of Section 54 of the Transfer of Property Act, 1882, which explicitly states that a contract for the sale of immovable property does not, of itself, create any interest

24 (2006) 6 SCC 207

in or charge on such property. This principle has been consistently upheld by this Court in the following judgments:

(i) *Rambhau Namdeo Gajre (supra)*

> *"13.* The agreement to sell does not create an interest of the proposed vendee in the suit property. As per Section 54 of the Act, the title in immovable property valued at more than Rs 100 can be conveyed only by executing a registered sale deed. Section 54 specifically provides that a contract for sale of immovable property is a contract evidencing the fact that the sale of such property shall take place on the terms settled between the parties, but does not, of itself, create any interest in or charge on such property. It is not disputed before us that the suit land sought to be conveyed is of the value of more than Rs 100. Therefore, unless there was a registered document of sale in favour of Pishorrilal (the proposed transferee) the title of the suit land continued to vest in Narayan Bapuji Dhotra (original plaintiff) and remain in his ownership. This point was examined in detail by this Court in *State of U.P.* v. *District Judge* [(1997) 1 SCC 496] and it was held *thus : (SCC pp. 499-500, para 7)*
>
> > *"7. Having given our anxious consideration to the rival contentions we find that the High Court with respect had patently erred in taking the view that because of Section 53-A of the Transfer of Property Act the proposed transferees of the land had acquired an interest in the lands which would result in exclusion of these lands from the computation of the holding of the tenure-holder transferor on the appointed day. It is obvious that an agreement to sell creates no interest in land. As per Section 54 of the Transfer of Property Act, the property in the land gets conveyed only by registered sale deed. It is not in dispute that the lands sought to be covered were having value of more than Rs 100. Therefore, unless there was a registered document of sale in favour of the proposed transferee agreement-holders, the title of the lands would not get divested from the vendor and would*

remain in his ownership. There is no dispute on this aspect. However, strong reliance was placed by learned counsel for Respondent 3 on Section 53-A of the Transfer of Property Act. We fail to appreciate how that section can at all be relevant against the third party like the appellant State. That section provides for a shield of protection to the proposed transferee to remain in possession against the original owner who has agreed to sell these lands to the transferee if the proposed transferee satisfies other conditions of Section 53-A. That protection is available as a shield only against the transferor, the proposed vendor, and would disentitle him from disturbing the possession of the proposed transferees who are put in possession pursuant to such an agreement. But that has nothing to do with the ownership of the proposed transferor who remains full owner of the said lands till they are legally conveyed by sale deed to the proposed transferees. Such a right to protect possession against the proposed vendor cannot be pressed in service against a third party like the appellant State when it seeks to enforce the provisions of the Act against the tenure-holder, proposed transferor of these lands."

(emphasis supplied)

There was no agreement between the appellant and the respondent in connection with the suit land. The doctrine of part-performance could have been availed of by Pishorrilal against his proposed vendor subject, of course, to the fulfilment of the conditions mentioned above. It could not be availed of by the appellant against the respondent with whom he has no privity of contract. The appellant has been put in possession of the suit land on the basis of an agreement of sale not by the respondent but by Pishorrilal, therefore, the privity of contract is between Pishorrilal and the appellant and not between the appellant and the respondent. The doctrine of part-performance as contemplated in Section 53-A can be availed of by the

proposed transferee against his transferor or any person claiming under him and not against a third person with whom he does not have a privity of contract."

(ii) *Suraj Lamp & Industries (P) Ltd. v. State of Haryana & Another,*[25] wherein, this Court comprehensively examined the nature of rights created by an agreement to sell and concluded that such agreements create, at best, a personal right enforceable against the vendor. The relevant paragraphs read as under:

"16. Section 54 of TP Act makes it clear that a contract of sale, that is, an agreement of sale does not, of itself, create any interest in or charge on such property. This Court in Narandas Karsondas v. S.A. Kamtam and Anr. (1977) 3 SCC 247, observed: (SCC pp.254-55, paras 32-33 & 37)

"32. A contract of sale does not of itself create any interest in, or charge on, the property. This is expressly declared in Section 54 of the Transfer of Property Act. See Rambaran Prasad v. Ram Mohit Hazra [1967]1 SCR 293. The fiduciary character of the personal obligation created by a contract for sale is recognised in Section 3 of the Specific Relief Act, 1963, and in Section 91 of the Trusts Act. The personal obligation created by a contract of sale is described in Section 40 of the Transfer of Property Act as an obligation arising out of contract and annexed to the ownership of property, but not amounting to an interest or easement therein.

33. In India, the word 'transfer' is defined with reference to the word 'convey'. The word `conveys' in Section 5 of Transfer of Property Act is used in the wider sense of conveying ownership...

37....that only on execution of conveyance, ownership passes from one party to another...."

17. In Rambhau Namdeo Gajre v. Narayan Bapuji Dhotra [2004 (8) SCC 614] this Court held:

25 (2012) 1 SCC 656

> *"10. Protection provided under Section 53-A of the Act to the proposed transferee is a shield only against the transferor. It disentitles the transferor from disturbing the possession of the proposed transferee who is put in possession in pursuance to such an agreement. It has nothing to do with the ownership of the proposed transferor who remains full owner of the property till it is legally conveyed by executing a registered sale deed in favour of the transferee. Such a right to protect possession against the proposed vendor cannot be pressed in service against a third party."*

18. It is thus clear that a transfer of immovable property by way of sale can only be by a deed of conveyance (sale deed). In the absence of a deed of conveyance (duly stamped and registered as required by law), no right, title or interest in an immovable property can be transferred.

19. Any contract of sale (agreement to sell) which is not a registered deed of conveyance (deed of sale) would fall short of the requirements of Sections 54 and 55 of the TP Act and will not confer any title nor transfer any interest in an immovable property (except to the limited right granted under Section 53-A of the TP Act). According to the TP Act, an agreement of sale, whether with possession or without possession, is not a conveyance. Section 54 of the TP Act enacts that sale of immovable property can be made only by a registered instrument and an agreement of sale does not create any interest or charge on its subject-matter."

(iii) *Cosmos Co. Operative Bank Ltd v. Central Bank of India & Ors*[26]

> *"25. The observations made by this Court in Suraj Lamp (supra) in paras 16 and 19 are also relevant.*
>
> *…..*
>
> *26. Suraj Lamp (supra) later came to be referred to and relied upon by this Court in Shakeel Ahmed v. Syed Akhlaq*

26 2025 SCC OnLine SC 352

Hussain, 2023 SCC OnLine SC 1526 wherein the Court after referring to its earlier judgment held that the person relying upon the customary documents cannot claim to be the owner of the immovable property and consequently not maintain any claims against a third-party. The relevant paras read as under:—

"10. Having considered the submissions at the outset, it is to be emphasized that irrespective of what was decided in the case of Suraj Lamps and Industries (supra) the fact remains that no title could be transferred with respect to immovable properties on the basis of an unregistered Agreement to Sell or on the basis of an unregistered General Power of Attorney. The Registration Act, 1908 clearly provides that a document which requires compulsory registration under the Act, would not confer any right, much less a legally enforceable right to approach a Court of Law on its basis. Even if these documents i.e. the Agreement to Sell and the Power of Attorney were registered, still it could not be said that the respondent would have acquired title over the property in question. At best, on the basis of the registered agreement to sell, he could have claimed relief of specific performance in appropriate proceedings. In this regard, reference may be made to sections 17 and 49 of the Registration Act and section 54 of the Transfer of Property Act, 1882.

11. Law is well settled that no right, title or interest in immovable property can be conferred without a registered document. Even the judgment of this Court in the case of Suraj Lamps & Industries (supra) lays down the same proposition. Reference may also be made to the following judgments of this Court:

(i). Ameer Minhaj v. Deirdre Elizabeth (Wright) Issar (2018) 7 SCC 639

(ii). Balram Singh v. Kelo Devi Civil Appeal No. 6733 of 2022

(iii). Paul Rubber Industries Private Limited v. Amit Chand Mitra, SLP(C) No. 15774 of 2022.

12. The embargo put on registration of documents would not override the statutory provision so as to confer title on the basis of unregistered documents with respect to immovable property. Once this is the settled position, the respondent could not have maintained the suit for possession and mesne profits against the appellant, who was admittedly in possession of the property in question whether as an owner or a licensee.

13. The argument advanced on behalf of the respondent that the judgment in Suraj Lamps & Industries (supra) would be prospective is also misplaced. The requirement of compulsory registration and effect on non-registration emanates from the statutes, in particular the Registration Act and the Transfer of Property Act. The ratio in Suraj Lamps & Industries (supra) only approves the provisions in the two enactments. Earlier judgments of this Court have taken the same view."

15.1. Undoubtedly, a sale deed, which amounts to conveyance, has to be a registered document, as mandated under Section 17 of the Registration Act, 1908. On the other hand, an agreement for sale, which also requires to be registered, does not amount to a conveyance as it is merely a contractual document, by which one party, namely the vendor, agrees or assures or promises to convey the property described in the schedule of such agreement to the other party, namely the purchaser, upon the latter performing his part of the obligation under the agreement fully and in time. Section 54 of the Transfer of Property Act, 1882 explicitly lays down that a contract for sale will not confer any right or interest. Section 53-A of the Transfer of Property Act, 1882 offers protection only to a proposed transferee who has part performed his part of the promise and has been put into possession, against the actions of transferor, acting against the interest of the transferee. For the proposed transferee to seek any protection against the transferor, he must have either performed his part of obligation in full or in part. The applicability of Section 53-A of the Transfer of Property Act, 1882 is subject to certain conditions viz., (a) the agreement must be in writing with the owner of the property or in other words, the transferor must be either the owner or his aut horised representative, (b)

the transferee must have been put into possession or must have acted in furtherance of the agreement and made some developments, (c) the protection under Section 53-A is not an exemption to Section 52 of the Transfer of Property Act, 1882 or in other words, a transferee, put into possession with the knowledge of a pending *lis*, is not entitled to any protection, (d) the transferee must be in possession when the *lis* is initiated against his transferor and must be willing to perform the remaining part of his obligation, (e) the transferee must be entitled to seek specific performance or in other words, must not be barred by any of the provisions of the Specific Relief Act, 1963 from seeking such performance. The protection under Section 53-A is not available against a third party who may have an adversarial claim against the vendor. Therefore, unless and until the sale deed is executed, the purchaser is not vested with any right, title or interest in the property except to the limited extent of seeking specific performance from his vendor. An agreement for sale does not confer any right to the purchaser to file a suit against a third party who is either the owner or in possession, or who claims to be the owner and to be in possession. In such cases, the vendor will have to approach the court and not the proposed transferee.

15.2. In the present case, juxtaposing the above legal principles to the facts of the case, we find that the respondents' claim suffers from multiple fatal defects that go to the root of the case, which are as follows:

15.2.1. First, there is no privity between the respondents and the appellant. The agreement to sell, is not between the parties to the suit. According to Section 7 of the Transfer of Property Act, 1882, only the owner, or any person authorised by him, can transfer the property. We have already held that an agreement to sell does not confer any right on the proposed purchaser under the agreement. Therefore, as a natural corollary, any right, until the sale deed is executed, will vest only with the owner, or in other words, the vendor to take necessary action to protect his interest in the property. According to the respondents, the property belongs to the vendors and according to the appellant, the property vests in

them. Since the respondents are not divested any right by virtue of the agreement, they cannot sustain the suit as they would not have any locus. Consequently, they also cannot seek any declaration in respect of the title of the vendors. But when the title is under a cloud, it is necessary that a declaration be sought as laid down by this Court in the judgment in *Anathula Sudhakar v. P. Buchi Reddy (Dead) by LRs and others*[27]. Therefore, the suit at the instance of the respondents/plaintiffs is not maintainable and only the vendors could have approached the court for a relief of declaration. In the present case, strangely, the vendors are not arrayed as parties to even support any semblance of right sought by the respondents/plaintiffs, which we found not to be in existence. Further, the respondents/plaintiffs claim to have paid the entire consideration of Rs.75,00,000/- in cash, despite the introduction of Section 269ST to the Income Tax Act in 2017 and the corresponding amendment to Section 271 DA. As held by us, the agreement can only create rights against the proposed vendors and not against third parties like the appellant herein. As the agreement to sell does not create any transferable interest or title in the property in favour of the respondents/ plaintiffs, as per Section 54 of the Transfer of Property Act, 1882, we hold that the attempt of the plaintiffs to disclose the cause of action through clever drafting, based solely on an agreement to sell, must fail, as such disclosure cannot be restricted to mere statement of facts but must disclose a legal right to sue.

15.2.2. Secondly, and perhaps more fundamentally, as we have seen and held above, the respondents have no legal right that can be enforced against the appellant as their claim is impliedly barred by virtue of Section 54 of the Transfer of Property Act, 1882. Their remedy, if any, lies against their proposed vendors. The plaint averments remain silent regarding the execution of

27 AIR 2008 SC 2033 : MANU/SC/7376/2008

a registered sale deed in favour of the respondents, which alone can confer a valid right on them to file a suit against the appellant as held by us earlier. Another, remedy available to them is to institute a suit against the vendors for specific performance. This principle was clearly established in *K. Basavarajappa (supra)*, wherein this Court held that an agreement holder lacks *locus standi* to maintain actions against third parties. The relevant paragraph of the said judgment is extracted below:

> *"8. … By mere agreement to sell the appellant got no interest in the property put to auction to enable him to apply for setting aside such auction under Rule 60 and especially when his transaction was hit by Rule 16(1) read with Rules 51 and 48. Consequently he could not be said to be having any legal interest to entitle him to move such an application. Consequently no fault could be found with the decision of the Division Bench of the High Court rejecting the entitlement of the appellant to move such an application."*

15.2.3. The contention of the learned counsel for the respondents that the judgements relied upon by the appellant are not applicable, cannot be accepted for the simple reason that the ratio laid down by this court, is applicable irrespective of the stage at which it is relied upon. What is relevant is the ratio and not the stage. Such contentions go against the spirit of Article 141 of the Constitution of India. Once a ratio is laid down, the courts have to apply the ratio, considering the facts of the case and once, found to be applicable, irrespective of the stage, the same has to be applied, to throw out frivolous suits. There is no gainsaying in contending that the other party must be put to undergo the ordeal of entire trial, when the plaintiff's claim is either barred by law or the plaint fails to disclose a cause of action, as it would amount to abuse of process of law, wasting the precious time of the courts. On the other hand,

the judgments relied upon by the respondents do not come into their aid as the judgments referred to by them also lay down the proposition that the plaint can be rejected if on a meaningful reading of it, fails to disclose a cause of action or is barred by law. In the present case, from the facts, we also find this to be a case of champertous litigation, between the plaintiffs and the vendors, who are not parties to the suit. Though champertous litigations have been recognized in our country to some extent by way of amendment to CPC by certain states, considering the facts of the present case and the averments in the plaint, we only find the litigation to be inequitable, unconscionable or extortionate.

15.2.4. Further, the respondents are not in possession of the property. Whereas, the appellant's possession since 1905 is admitted in the plaint itself. In such circumstances, where the plaintiffs are not in possession and the defendant is in settled possession for over a century, a suit for bare injunction by a proposed transferee is clearly not maintainable. Section 41(j) of the Specific Relief Act, 1963 prohibits grant of injunction when the plaintiff has no personal interest in the matter. In the present case, the respondents, being mere agreement holders, have no personal interest in the suit schedule property that can be enforced against third parties. The "personal interest" is to be understood in the context of a legally enforceable right, as when there is a bar in law, the mere existence of an interest in the outcome cannot give a right to sue. As held by us above, no declaratory relief has been sought as contemplated under Section 34 of the Specific Relief Act, 1963. This principle was clearly established in *Jharkhand State Housing Board (supra)*, in which, this Court emphasized that where title is in dispute, a mere suit for injunction is not maintainable. The relevant portion of the said judgment is reproduced hereunder:-

> ***"11.*** *It is well settled by catena of judgments of this Court that in each and every case where*

the defendant disputes the title of the plaintiff it is not necessary that in all those cases plaintiff has to seek the relief of declaration. A suit for mere injunction does not lie only when the defendant raises a genuine dispute with regard to title and when he raises a cloud over the title of the plaintiff, then necessarily in those circumstances, plaintiff cannot maintain a suit for bare injunction."

15.2.5. Yet another defect in the plaint is regarding the identity of the property. The respondents/plaintiffs, as seen above, have admitted to the possession of the appellant over the suit property. The plaint, on one hand, raises a dispute as to whether the property claimed by the respondents is the same as that possessed by the appellant, and on the other hand, seeks only a relief of permanent injunction restraining the appellant/ defendant from alienating the property, without seeking a declaration affirming the title of their vendors. The entitlement of the plaintiffs to the possession rests on the title of their vendors and it is not an independent right. Without possession and without seeking a declaration of title, not only is the suit barred but the cause of action is also fictitious.

16. The High Court without noticing the above defects in the plaint, dismissed the application filed by the appellant under Order VII Rule 11 CPC by observing that the cause of action is a mixed question of fact and law and that the matter requires trial. When the defects go to the root of the case, barred by law with fictitious allegations and are incurable, no amount of evidence can salvage the plaintiffs' case. Though an agreement to sell creates certain rights, these rights are purely personal between the parties to the agreement and can only be enforced against the vendors or, in limited circumstances, under Section 53A of the Transfer of Property Act, 1882, against a subsequent transferee with notice, as held by us above. They cannot be enforced against third parties who claim independent title and possession. Therefore, the High Court's observation that an agreement to sell creates an "enforceable right" cannot be countenanced by us.

17. At the same time, we are conscious of principle that only averments in the plaint are to be considered under Order VII Rule 11 CPC. While it is true that the defendant's defense is not to be considered at this stage, this does not mean that the court must accept patently untenable claims or shut its eyes to settled principles of law and put the parties to trial, even in cases which are barred and the cause of action is fictitious. In *T. Arivandandam (supra),* this Court emphasized that where the plaint is manifestly vexatious and meritless, courts should exercise their power under Order VII Rule 11 CPC and not waste judicial time on matters that are legally barred and frivolous. The present case falls squarely within this principle.

18. In the instant case, admittedly, no sale was originally effected and only part consideration was made, which was not even to the appellant, but rather to a third party. Upon discovering that the property did not belong to the third party, the respondents instituted a suit. It must be noted that the appellant has been in possession of the suit schedule property for several decades. Given these circumstances, the trial court must have adopted a fair and balanced approach, carefully weighing all relevant factors, considered the provisions of the Transfer of Property Act, 1882 and the Specific Relief Act, 1963, but it did not do so. The decision of the trial Court was also affirmed by the High Court. However, we have to take into consideration that the respondents are in the habit of filing similar suits in respect of other valuable properties in Bangalore, based on various alleged agreements to sell, which do not confer any right to sue. On the other hand, the appellant is a 148-year-old charitable trust serving marginalized communities. The public interest implications of this case are significant consideration. Such institutions must be protected from speculative litigation that can drain their resources and impede their charitable work. Moreover, allowing suits like the present one to proceed to trial, would not only waste judicial time and resources, but also encourage similar speculative and extortionate litigations. Hence, this is a fit case for the imposition of costs on the respondents under Section 35A of the Civil Procedure Code, 1908. However, we refrain from doing so at this stage. At the same time, the respondents are hereby cautioned that any future misuse of the judicial process lacking in bonafides may invite strict action including imposition of exemplary costs.

18.1. Further, through the averments made in the plaint and in the agreement, the respondents/plaintiffs have claimed to have paid huge sum towards consideration by cash. It is pertinent to recall that Section 269ST of the Income Tax Act, was introduced to curb black money by digitalising the transactions above Rs.2,00,000/- and contemplating equal amount of penalty under Section 271DA of the Act. As per the said provisions, action is to be taken on the recipient. However, there is also an onus on the plaintiffs to disclose their source for such huge cash. The Central Government thought it fit to cap the cash transactions and move forwards towards digital economy to curb the dark economy which has a drastic effect on the economy of the country. It will be useful to refer to the Budget Speech during the introduction of the Finance Bill, 2017 and the extract of the memo presented with the Finance Bill, 2017, which lay down the object:

> ***Budget Speech:***
>
> *"VII. DIGITAL ECONOMY*
>
> *111. Promotion of a digital economy is an integral part of Government's strategy to clean the system and weed out corruption and black money. It has a transformative impact in terms of greater formalisation of the economy and mainstreaming of financial savings into the banking system. This, in turn, is expected to energise private investment in the country through lower cost of credit. India is now on the cusp of a massive digital revolution.*
>
> *.....*
>
> ***Promoting Digital Economy***
>
> *162. The Special Investigation Team (SIT) set up by the Government for black money has suggested that no transaction above Rs.3 lakh should be permitted in cash. The Government has decided to accept this proposal. Suitable amendment to the Income-tax Act is proposed in the Finance Bill for enforcing this decision."*

Extract from Memo of Finance Bill, 2017

"Restriction on cash transactions

In India, the quantum of domestic black money is huge which adversely affects the revenue of the Government creating are source crunch for its various welfare programmes. Black money is generally transacted in cash and large amount of unaccounted wealth is stored and used in form of cash.

In order to achieve the mission of the Government to move towards a less cash economy to reduce generation and circulation of black money, it is proposed to insert section 269ST in the Act to provide that no person shall receive an amount of three lakh rupees or more,—

(a) in aggregate from a person in a day;

(b) in respect of a single transaction; or

(c) in respect of transactions relating to one event or occasion from a person, otherwise than by an account payee cheque or account payee bank draft or use of electronic clearing system through a bank account.

It is further proposed to provide that the said restriction shall not apply to Government, any banking company, post office, savings bank or co-operative bank. Further, it is proposed that such other persons or class of persons or receipts may be notified by the Central Government, for reasons to be recorded in writing, on whom the proposed restriction on cash transactions shall not apply. Transactions of the nature referred to in section 269SS are proposed to be excluded from the scope of the said section.

It is also proposed to insert new section 271DA in the Act to provide for levy of penalty on a person who receives a sum in contravention of the provisions of the proposed section 269ST. The penalty is proposed to be a sum equal to the amount of such receipt. The

> *said penalty shall however not be levied if the person proves that there were good and sufficient reasons for such contravention. It is also proposed that any such penalty shall be levied by the Joint Commissioner.*
>
> *It is also proposed to consequentially amend the provisions of section 206C to omit the provision relating to tax collection at source at the rate of one per cent. of sale consideration on cash sale of jewellery exceeding five lakh rupees.*
>
> *These amendments will take effect from 1st April 2017."*

However, when the Bill was passed, the permissible limit was capped under Rupees Two Lakhs, instead of the proposed Rupees Three Lakhs. When a suit is filed claiming Rs.75,00,000/- paid by cash, not only does is create a suspicion on the transaction, but also displays, a violation of law. Though the amendment has come into effect from 01.04.2017, we find from the present litigation that the same has not brought the desired change. When there is a law in place, the same has to be enforced. Most times, such transactions go unnoticed or not brought to the knowledge of the income tax authorities. It is settled position that ignorance in fact is excusable but not the ignorance in law. Therefore, we deem it necessary to issue the following directions:

(A) Whenever, a suit is filed with a claim that Rs. 2,00,000/- and above is paid by cash towards any transaction, the courts must intimate the same to the jurisdictional Income Tax Department to verify the transaction and the violation of Section 269ST of the Income Tax Act, if any,

(B) Whenever, any such information is received either from the court or otherwise, the Jurisdictional Income Tax authority shall take appropriate steps by following the due process in law,

(C) Whenever, a sum of Rs. 2,00,000/- and above is claimed to be paid by cash towards consideration for conveyance of any immovable property in a document presented for registration, the jurisdictional Sub-Registrar shall intimate the same to the jurisdictional Income Tax Authority who shall follow the due process in law before taking any action,

(D) Whenever, it comes to the knowledge of any Income Tax Authority that a sum of Rs. 2,00,000/- or above has been paid by way of consideration in any transaction relating to any immovable property from any other source or during the course of search or assessment proceedings, the failure of the registering authority shall be brought to the knowledge of the Chief Secretary of the State/UT for initiating appropriate disciplinary action against such officer who failed to intimate the transactions.

19. In light of the above discussion, we are of the firm view that the plaint ought to have been rejected under Order VII Rule 11(a) and (d) CPC. Hence, the orders passed by the High Court as well as the trial Court rejecting the application filed by the appellant, cannot be sustained in law and deserve to be set aside.

CONCLUSION

20. In fine,

(i) This appeal is allowed.

(ii) The impugned judgment of the High Court dated 02.06.2022 and the order of the trial Court dated 11.06.2021 are set aside.

(iii) As a sequel, the application filed under Order VII Rule 11(a) and (d) CPC is allowed.

(iv) The plaint in O.S. No. 25968 of 2018 pending on the file of XIII Additional City Civil and Sessions Judge, Mayohall Unit, Bengaluru, is rejected.

(v) The directions given by us in paragraph 18.1 of this judgment shall be intimated by the Registrars of the High Courts, the Chief Secretaries of the States/Union Territories and the Principal Chief Commissioner of Income Tax Department to the District Judiciary, the officials of the registration department and the jurisdictional officers under the Income Tax Department respectively, so as to facilitate the conduct of periodical audit.

(vi) The parties shall bear their respective costs throughout the proceedings.

(vii) Miscellaneous Application(s), if any, shall stand disposed of.

21. The Registrar (Judicial) is directed to circulate a copy of this Judgment to the Registrar General of all the High Courts, the Chief Secretaries of all the States / Union Territories, and the Principal Chief Commissioner of Income Tax Department, enabling them to communicate the directions issued by this Court for strict compliance.

Result of the case: Appeal allowed.

†*Headnotes prepared by:* Nidhi Jain