



S.A.No.810 of 2012

IN THE HIGH COURT OF JUDICATURE AT MADRAS

Reserved on : 28.02.2024

Pronounced on: 18.03.2024

CORAM

THE HON'BLE MR. JUSTICE **G.ARUL MURUGAN**

S.A.No.810 of 2012
and MP.Nos.1 of 2012 & 1 of 2013

1.Kavi Eswari
2.Sekar
3.Perumal

.. Appellants

Vs.

Munikrishnan

.. Respondent

PRAYER: Second Appeal filed under Section 100 of C.P.C. against the judgment and decree dated 25.01.2012 passed in AS.No.7 of 2011, on the file of Additional District and Sessions Judge (Fast Track Court), Vellore, Vellore District, reversing the judgment and decree dated 23.12.2009 passed in OS.No.27 of 2007, on the file of Sub-ordinate Judge, Gudiyatham.

For Appellants : Mr.K.Natarajan

For Respondent : Mr. V.M.G. Ramakkannan



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JUDGMENT

The defendants in the suit are the appellants before this Court. The second appeal is filed challenging the judgment and decree dated 25.01.2012 passed in AS.No.7 of 2011 on the file of Additional District and Sessions Judge (Fast Track Court), Vellore, Vellore District, reversing the judgment and decree dated 23.12.2009 in O.S.No.27 of 2007 on the file of Subordinate Judge, Gudiyatham.

2. For the sake of convenience, the parties are referred to as per their ranking before the Trial Court.

The brief facts, which led to the filing of this Second Appeal, are as follows:

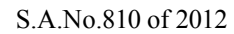
3. According to the plaintiff, originally the suit property was his ancestral property. The plaintiff along with his father and mother sold a portion of the suit property to one Papammal through registered sale deed dated 05.10.1972 for a sum of Rs.760/-. The plaintiff along with his father sold the remaining portion of the suit property to one Chinnasamy



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through registered sale deed dated 02.08.1978 for a sum of Rs.600/-. The said Chinnasamy sold the property to Papammal on 31.03.1986 for a sum of Rs.1,000/-. As such, Papammal became the absolute owner of the entire suit property leaving behind her only son Kannan to succeed the suit property. According to the plaintiff, on 18.01.2006, the said Kannan entered into a sale agreement with one Manohar Reddy for selling the suit property for a sum of Rs.2,50,000/- and received a sum of Rs.1,80,000/- as advance and agreed to receive the balance sale consideration within 20 months and execute sale deed in favour of the purchaser. As the plaintiff was having a house on the southern side of the suit property and residing there, it is more convenient and essential for him to annex with the suit property for beneficial enjoyment. As such, the plaintiff got the sale agreement assigned from Manohar Reddy in his favour on 22.12.2006 for valid consideration.

4. According to the plaintiff, Manohar Reddy and after the assignment, he is always ready and willing to perform his part of the contract by paying balance sale consideration and get the sale deed executed. When the plaintiff approached Kannan for completion of the



5. The first defendant resisted the suit by filing the written



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statement and denied the sale agreement in Ex.A.1. According to the first defendant, her husband Kannan had entered into a registered sale agreement with one Manohar Reddy on 03.11.2005 only as security for loan transaction and the said agreement was cancelled through registered cancellation deed dated 18.01.2006. In the cancellation deed itself, it is categorically stated that Kannan had repaid the advance amount of Rs.1,50,000/- to Manohar Reddy. According to the first defendant, since Kannan was affected by heart disease and was bed ridden for the past two years which is also accepted by the plaintiff, he has filed the above suit to grab the suit property as her husband Kannan has not executed any agreement in favour of Manohar Reddy.

6. According to the first defendant, she has sold the suit property in favour of the second defendant for valuable consideration on 29.03.2007. According to the first defendant, there was no necessity for her husband to sell the suit property and only in respect of loan amount, Manohar Reddy has compelled her husband to execute the sale agreement as security for the money transaction and the same has been discharged and the agreement got cancelled and hence the first defendant is not liable to



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execute any sale deed. The defendant, alleging that the sale agreement is fabricated, sought for dismissal of the suit.

Evidence and documents:

7. During the course of trial, the plaintiff has examined Manohar Reddy as PW.1 and attesor Govindaraj as PW.2 and examined himself as PW.3 and marked Exs. A.1 to A.9. On the side of the defendants, the 2nd defendant was examined as DW.1 and Ex.B.1 was marked.

Findings of the Courts below:

8. The Trial court after appreciating the documents and evidence dismissed the suit. The Trial court found that in the assignment granted by Manohar Reddy in favour of the plaintiff in Ex.A2 dated 22.12.2006, he has specifically stated that since he is not in a position to pay the balance sale consideration and complete the sale, he is assigning the agreement by receiving the advance amount of Rs.1,80,000/- paid by him and as such, the intention of Manohar Reddy shows that it is only the money transaction and not for purchase of the property. The Trial court also found that Rs.1,80,000/- was paid as advance and for balance payment of Rs.70,000/- a time period of 20 months or 17.09.2008 was



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fixed which shows that it is not for 20 months but for 30 months. The Trial Court also found that PW.2 / attesor in both Exs.A.1 and A.2 has categorically stated that only a sum of Rs.30,000/- was paid by Manohar Reddy to Kannan at the time of execution of sale agreement.

9. Aggrieved, the appellant filed appeal in AS.No.7 of 2011 on the file of District Court, Vellore. The Lower Appellate Court after reappraising the evidence allowed the appeal and decreed the suit. The Lower Appellate Court found that there is nothing on record to show that transaction in Ex.B.1 is only a loan transaction. Therefore, the sale agreement in Ex.A.1 and Ex.A.2 are proved. Aggrieved by the judgment and decree of the Appellate Court, the defendants are before this Court on appeal.

Substantial questions of law:

10. This Court by order dated 21.08.2012 framed the following the substantial questions of law.

“1. Whether the plaintiff being an assignee has satisfied the requirements of section 16(c) of the Specific Relief Act, 1963 by pleading his readiness and



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willingness from the date of assignment without stating anything about the readiness and willingness of his assignor?

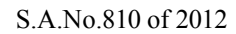
2. Whether the lower appellate court has committed an error and given a perverse finding that the respondent/plaintiff has complied with the conditions for the grant of specific performance mandated in section 16(c) of the Specific Relief Act, 1963?

3. Whether the lower appellate court has committed an error in rejecting the contention of the appellants/defendants that the suit agreement was intended to be a security for a loan transaction? And

4. Whether the lower appellate court has committed an error in not considering the other grounds on which the relief of specific performance could have been refused?"

Submissions on both sides:

11. The learned counsel appearing for the appellants argued that the plaintiff was not a party to the alleged sale agreement in Ex.A.1 and he only claims to be assignee from Manohar Reddy/PW.1 based on the assignment made to him in Ex.A.2. Even from the assignment made in favour of the plaintiff in Ex.A.2, it could be easily seen that the original



12. The learned counsel further argued that when the agreement with Monohar Reddy was not ready and willing to perform his part of the contract, the plaintiff, who claims to be an assignee from Manohar Reddy, cannot claim that he is ready and willing to perform his contract. The learned counsel further contended that the plaintiff, being the assignee, cannot fill up the lacuna and satisfy the readiness and willingness contemplated under Section 16(c) of the Specific Relief Act, 1963, as the original agreement holder was not ready and willing.

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sale agreement on the same day on 18.01.2006 shows that an advance of Rs.1,80,000/- was paid, since an additional sum of Rs.30,000/- was needed for Kannan, and the same was given and a new agreement was executed.

14. The learned counsel further contended that the evidences of PW.1, PW.2 and the plaintiff himself as PW.3 altogether shows that Ex.A.1 was never intended for sale transaction but it is only in respect of the money transaction. The learned counsel further contended that when the sale agreement in Ex.A.1 and the plaintiff was not authorised to assign the agreement in favour of any third person, the very assignment in favour of the plaintiff in Ex.A2 is bad and the suit filed by the plaintiff is not maintainable.

15. In support of his arguments, the learned counsel for the appellant relied on the decision of this Hon'ble Court in **Gladys Devavaram vs. S.Subbiah and Another** reported in **(2012) 1 MLJ 10**.

16. The learned counsel for the appellant further contended that when the Trial Court has rightly dismissed the suit, the Lower Appellate



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Court had erroneously reversed the finding and decreed the suit stating that the defendant has not proved the case and therefore, the findings are perverse and sought for allowing this appeal.

17. Per contra, the learned counsel for the respondent argued that when the plaintiff issued a legal notice in Ex.A.6, the first defendant has not issued any reply. The learned counsel further argued that since the first defendant has not given evidence by entering into the witness box, adverse interference under Section 114 of Indian Evidence Act ought to be drawn against her.

18. The learned counsel for the respondent further contended that even though PW.1 has admitted in his evidence that he had advanced loan to the plaintiff's husband Kannan and the dues are pending to be paid by Kannan to Manohar Reddy, there is nothing wrong in entering into a sale agreement and therefore the agreement in Ex.A.1 is valid. The learned counsel further contended that when the plaintiff issued notice and took steps for filing the suit, the first defendant had hurriedly executed the sale deed in favour of the second defendant who is the son in law of the 3rd



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defendant to defeat the rights of the plaintiff and the sale will not bind the plaintiff and the plaintiff is entitled for the specific performance of the agreement.

19. In support of his argument, the learned counsel for the respondent relied on the decision of the Hon'ble Supreme Court in **Shyam Singh Vs Daryao Singh (dead) by Lrs. Ors.** reported in **(2004) 3 LW 151** and further contended that unless there is a specific bar in the agreement in respect of assigning the same to third parties, the assignment is not bad and even in the present sale agreement in Ex.A.1, there is no specific bar preventing PW.1 from assigning the sale agreement and therefore the assignment executed in favour of the plaintiff in Ex.A.2 is valid and the suit is maintainable. The learned counsel further submitted that the Lower Appellate Court has rightly arrived at a finding of fact based on the available materials and therefore no interference is required and sought for dismissing the appeal.

Analysis of the submission on both sides:

20. Admittedly, the plaintiff is not a party to the sale agreement in



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Ex.A.1. The sale agreement in Ex.A.1 dated 18.01.2006 has been executed by the husband of the first defendant in favour of one Manohar Reddy who has been examined as PW.1. The perusal of the sale agreement shows that total sale consideration of Rs.2,50,000/- has been fixed for the suit property and an advance sum of Rs.1,80,000/- is paid. For the payment of balance sale consideration of Rs.70,000/- a period of 20 months or 17.09.2008 is fixed. As per the date given, the time period fixed is not 20 months but actually 30 months. Therefore, after paying the advance amount of Rs.1,80,000/-, for the payment of balance sale consideration of Rs.70,000/- and completing the sale, a period of 2 ½ years has been fixed.

21. It is the case of the plaintiff that since it was more beneficial for him, he was interested in purchasing the property and therefore PW.1, Manohar Reddy has assigned the sale agreement in his favour on 22.12.2006 in Ex.A.2. It is contended by the plaintiff that since there is no clause specifically barring the purchaser from assigning the sale agreement to any 3rd parties, the assignment made in favour of the plaintiff is valid but, however it is disputed by the defendants that the sale



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agreement was executed only in favour of PW.1 and therefore the assignment made in favour of the plaintiff is barred.

22. A perusal of the sale agreement in Ex.A.1 reveals that the sale has to be executed in favour of the purchaser or his nominee. When the clause in the sale agreement specifically allows the purchaser to get the sale deed either in his name or his nominee, the purchaser is entitled to nominate anyone on his behalf to get the sale completed. As held by the Hon'ble Supreme Court in the judgment relied on by the respondent in **Shyam Singh vs. Daryao Singh (dead) by Lrs. & Ors. (cited supra)**, in the absence of any express bar, there is nothing wrong in assigning the agreement in favour of the 3rd person. Para 13 to 17 are usefully extracted hereunder:

“13. In our considered opinion, in the absence of any words or expressions in the documents indicating prohibition on assignment or transfer of right of repurchase and in the face of clear provisions of Section 15(b) of the Specific Relief Act, 1963, an implied prohibition cannot be read into the terms of the documents. Merely because in the documents, there is



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mention of “heirs” of the contracting parties but not their “assignees” or “transferees”, the legal right of assignment available to the benefit of original contracting party under Section 15(b) of the Act cannot be denied to it.

14. We are fortified in our view by two direct decisions of this Court rendered in somewhat similar circumstances with documents contemporaneously executed for sale and repurchase with comparable stipulations. See T.M. Balakrishna Mudaliar v. M. Satyanarayana Rao [(1993) 2 SCC 740] and Habiba Khatoon v. Ubaidul Huq [(1997) 7 SCC 452] .

15. In the case of Habiba Khatoon [(1997) 7 SCC 452] taking stock of earlier decisions of this Court, the Privy Council and the High Court of Bombay, the law on the present-contested issue was explained to uphold the right of repurchase of the original contracting party thus: (SCC pp. 461-62, para 12)

“We may in this connection also usefully refer to a decision of this Court in the case of T.M. Balakrishna Mudaliar v. M. Satyanarayana Rao [(1993) 2 SCC 740] . Considering the provisions of Section 15(b) of the



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Specific Relief Act, 1963 a Bench of two learned Judges of this Court speaking through Kasliwal, J., endorsed (in para 10 of the SCC) the statement of law flowing from the decision of Sakalaguna Nayudu [Sakalaguna Nayudu v. Chinna Munuswami Nayakar, AIR 1928 PC 174 : 55 IA 243 : 32 CWN 850] as well as the decision of Beaumont, C.J., speaking for the Bombay High Court in the case of Vishweshwar Narsabhatta Gaddada v. Durgappa Irappa Bhatkar [AIR 1940 Bom 339 : 42 Bom LR 653 : ILR 1940 Bom 674] . The statement of law which got imprimatur of this Court in para 9 of the Report runs as follows: (SCC p. 745)

‘The Privy Council in Sakalaguna Nayudu v. Chinna Munuswami Nayakar [Sakalaguna Nayudu v. Chinna Munuswami Nayakar, AIR 1928 PC 174 : 55 IA 243 : 32 CWN 850] has held that the benefit of a contract of repurchase which did not show that it was intended only for the benefit of the parties contracting, could be assigned and such contract is enforceable. Beaumont, C.J. in Vishweshwar Narsabhatta Gaddada v. Durgappa Irappa Bhatkar [AIR 1940 Bom 339 : 42 Bom LR 653 : ILR 1940 Bom 674] held that both under the common law as well as under Section 23(b) of the Specific Relief Act, 1877, an option given to repurchase the property



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sold would prima facie be assignable, though it might also be so worded as to show that it was to be personal to the grantee and not assignable. On the particular facts of that case, it was held that the contract was assignable. In Sinnakaruppa Gounder v. M. Karuppuswami Gounder [AIR 1965 Mad 506 : ILR (1965) 2 Mad 20 : 78 MLW 515] it was held: (AIR p. 508, para 5)

“In our view, generally speaking, the benefits of a contract of repurchase must be assignable, unless the terms of the contract are such as to show that the right of repurchase is personal to the vendor. In the latter case it will be for the person who pleads that the contract is not enforceable, to show that the intention of the parties thereto was that it was to be enforced only by the persons named therein and not by the assignee.” ’ ’

16. From the statement of law as has been approved and followed by this Court in two decisions in Habiba Khatoon [(1997) 7 SCC 452] and T.M. Balakrishna Mudaliar [(1993) 2 SCC 740] , unless the contents of the document in question and evidence in relation thereto are so clear to infer a prohibition against assignment or transfer, the right of repurchase has to be



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held to be assignable or transferable and cannot be treated as personal to the contracting parties.

17. On a very unsubstantial ground that the document in question makes a mention only of “parties” and their “heirs” and not “assignees” or “transferees”, it cannot be held that the right of repurchase was not assignable. In our considered opinion, therefore, the courts below were in error in construing the document in question in a manner to infer an implied prohibition against assignment and transfer”.

As such the assignment executed by PW.1 / Manohar Reddy in favour of the plaintiff cannot be found fault with.

23. The perusal of the assignment made by PW.1 in favour of the plaintiff in Ex.A.2 shows that the PW.1 is not in a position to pay the balance sale consideration and complete the sale and therefore he assigned the agreement in favour of the plaintiff. Even though the plaintiff in his evidence has stated that the assignment was done only as the plaintiff wanted the property for a better and convenient enjoyment, the very assignment in Ex.A.2 is otherwise. When the reasons stated in the assignment shows that PW.1 / Manohar Reddy was not in a position to



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pay the amount, he did not intend to continue with the sale and as such he was not ready and willing to perform his part of the contract.

24. The plaintiff, by way of an assignment, has only stepped into the shoes of his vendor PW.1. In the suit for specific performance, unless the requirements of Section 16(c) of Specific Relief Act about the readiness and willingness is pleaded and proved, the parties are not entitled for the discretionary relief of specific performance. Here in the present case, when the agreement holder PW.1 / Manohar Reddy was not ready and willing to perform his part of the contract, the readiness and willingness on the part of the plaintiff as an assignee will not be helpful and come to his aid, when his assignor has not satisfied the requirements of Section 16(c) of the Specific Relief Act.

25. PW.1 / Manohar Reddy who has entered into the sale agreement with the first defendant's husband, in his evidence has categorically admitted that the first defendant's husband has borrowed loan from him in the year 2005 for a sum of Rs.1,50,000/- and the loan amount of Rs.1,50,000/- was not repaid by him. He also availed further loan of Rs.30,000/- and as such PW.1 had given a total loan amount of



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Rs.1,80,000/-. Only because the first defendant's husband asked for further loan of Rs.30,000/- beyond Rs.1,50,000/-, they entered into the document in Ex.A.1. Further PW.1 categorically admitted that in Ex.A.1, it has been entered as though Rs.1,80,000/- has been paid as advance. PW.1 also further admitted that a sum of Rs.1,50,000/- was due and the further sum of Rs.30,000/-, was given as loan which was totally mentioned as Rs.1,80,000/- advance in Ex.A.1. PW.1 further admitted that a sum of Rs.1,50,000/- which is due in Ex.A.3 along with interest comes to Rs.1,80,000/-, which is mentioned in Ex.A.1 as advance. The very admission on the part of PW.1 who is the original agreement holder categorically stating that it is only a loan amount and Ex.A.1 has been entered into by mentioning as though a sum of Rs.1,80,000/- has been given as advance would amply prove that Ex.A.1 is not intended to be a sale transaction but executed only as a security towards the loan amount. The further fact that the very recitals in Ex.A.2 would go to show that since the first defendant's husband was not able to repay the amount and the PW.1 was not able to wait, he had assigned the Ex.A.1 in favour of the plaintiff by receiving a sum of Rs.1,80,000/- paid by him to Kannan as a loan.



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26. The evidence of PW.2, attester to the sale agreement in Ex.A.1 and also assignment in Ex.A.2 becomes more crucial. PW.2 has categorically admitted that since Kannan demanded a further sum of Rs.30,000/-, the earlier agreement mentioned in Ex.A.3 was cancelled and a new agreement in Ex.A.1 was entered into between them. PW.2 has further deposed that he was present both at the time of executing the cancellation in Ex.A.3 and also executing the sale agreement in Ex.A.1. PW.2 has specifically stated that Manohar Reddy / PW.1 has only paid a sum of Rs.30,000/- to Kannan at the time of the execution of the sale agreement in Ex.A.1. In spite of further cross examination, he has stood to the fact that except this Rs.30,000/- no other money was paid to Kannan. The evidence of PW.2 fortifies the fact that no sale consideration as mentioned in Ex.A.1 has passed on to the deceased Kannan and it is amply established that for the loan amount of Rs.1,50,000/- advanced to Kannan ,earlier sale agreement was entered as security for transaction and since Kannan wanted an additional sum of Rs.30,000/-, the earlier agreement was canceled in Ex.A.3 and thereafter by giving the additional loan amount of Rs.30,000/-, the sale agreement in Ex.A.1 has been



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executed by only paying a sum of Rs.30,000/- and showing that the total sum of Rs.1,80,000/- as advance.

27. The recitals in the documents coupled with the evidence of PW.1 himself and the evidence of attesor / PW.2 would over all, establish the fact that Ex.A.1 is not intended to be a sale transaction but only has been executed as a security to the loan transaction. The further admission of PW.2 that after a period of one month from the death of Kannan, PW.1 / Manohar Reddy has executed the assignment in Ex.A.2 in favour of the plaintiff would go to show that on the death of Kannan, PW.1 did not have any right to assign the agreement except to proceed as against the first defendant who is the legal heir. As such from the evidence of PW.2, even the assignment executed in favour of the plaintiff after the death of Kannan is not legally sustainable.

28. In fact, even the plaintiff in his evidence stated that he was aware of the sale agreement entered by Kannan in the year 2005 and also 2006. He did not directly see the transaction but however the entire transactions was made known to him by only PW.1 / Manohar Reddy.



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The plaintiff further categorically admitted that even though he was aware of the agreement entered in favour of PW.1 in the year 2005 and 2006, the plaintiff has directly requested the deceased Kannan to sell the property to him and he also agreed to sell the property to the plaintiff. The plaintiff also admits that he had not seen the agreement executed in the year 2005 or the cancellation and still the original agreement in Ex.A.1 is available with PW.1 / Manohar Reddy. When the plaintiff claims that he has got assignment of entire rights in his favour, it is not made clear as to how the documents are retained by PW.1. Further when the plaintiff was aware of the earlier agreement and also Ex.A.1 but he had asked the deceased Kannan to sell the property and he also agreed to sell would all go to show that the plaintiff himself was aware that those documents were executed in favour of the PW.1 only as security towards the money transaction for the loan availed by him.

29. From the perusal of the cancellation of earlier agreement in Ex.A.3 and the execution of the fresh sale agreement in Ex.A.1 by showing an advance amount of Rs.1,80,000/- coupled with the fact that PW.1 had given a sum of Rs.1,80,000/- as loan to deceased Kannan and



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the evidence of PW.2 that a sum of Rs.30,000/- was paid at the time of cancellation of Ex.A3 and execution of the agreement in Ex.A.1 and the made over executed by the PW.1 / Manohar Reddy in favour of the plaintiff in Ex.A.2 would all go to show that the deceased had received a sum of Rs.1,80,000/- as loan from PW.1 and PW.1 / Manohar Reddy has received that amount of Rs.1,80,000/- from the plaintiff and assigned his right in Ex.A.1 in favour of plaintiff in Ex.A.2. As such, the deceased Kannan is due to repay the sum of Rs.1,80,000/- received by him and the plaintiff as assignee from PW.1 is entitled for the return of that money paid by him.

30. In view of the same, the substantial questions of law are answered in favour of the appellant and against the respondent. The judgment and decree of the Lower Appellate Court holding that the documents in Ex.A.1 to Ex.A.3 are proved, is by misreading the evidences, which is not based on the material available on record and therefore are perverse. Accordingly, the judgment and decree are liable to be interfered with.



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31. Therefore, the second appeal stands allowed and the judgment and decree of the Lower Appellate Court are set aside. However, in view of the findings arrived at, the suit is decreed for the alternative prayer and the defendants 1 and 2 are directed to pay the sum of Rs.1,80,000/- along with interest @ 6% from the date of Ex.A.1 i.e. 18.01.2006 till the date of payment, within a period of four months from the date of receipt of copy of the judgment, failing which, the judgment and decree of the Lower Appellate Court will automatically stand restored. However there is no order as to costs. Consequently, connected Miscellaneous Petitions are closed.

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Index : Yes / No

Speaking / Non-speaking

Neutral Citation : Yes / No

To

1.The Additional District and Sessions Judge,



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(Fast Track Court), Vellore,
Vellore District,

2.The Sub-ordinate Judge, Gudiyatham.

G.ARUL MURUGAN.,J.



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