

2025:PHHC:033187



**IN THE HIGH COURT OF PUNJAB AND HARYANA
AT CHANDIGARH**

CRR 151 of 2025 (O&M)

Date of Decision: 10.03.2025

Jugjit Kaur

...Petitioner

Versus

Rajwinder Singh

... Respondent

CORAM : HON'BLE MR. JUSTICE N.S.SHEKHAWAT

Present : Mr. A.P.S.Deol, Senior Advocate with
Mr. Himmat Singh Deol, Advocate
for the petitioner.

Mr. J.S. Mehndiratta, Advocate/Amicus Curiae and
Mr. P.K.S. Phoolka, Advocate
for the respondent.

N.S.SHEKHAWAT, J. (Oral)

1. The petitioner has filed the present revision petition against the impugned judgment dated 09.01.2025 passed by the Court of Additional Sessions Judge, Bathinda and judgment and order dated 25.10.2017 passed by the Judicial Magistrate 1st Class, Bathinda, whereby, the petitioner has been convicted for the offence punishable under Section 138 of the Negotiable Instruments Act 1881 (hereinafter to be referred as '**the Act**') and sentenced to undergo rigorous imprisonment for a period of two years and to pay a fine of Rs. 10,000/-. In default of payment of fine, she would further undergo

rigorous imprisonment for two months. However, no compensation has been awarded to the respondent/complainant in the present case.

2. The brief facts, as highlighted in the complaint before the trial Court were that petitioner and her husband had close family relations with the respondent/complainant and out of need of money for the business purposes, petitioner, being Sole Prop. of M/s. Matharu Agro Industries, borrowed a sum of Rs.19,00,000/- in cash from the respondent about six months ago in the presence of Desa Singh son of Jawala Singh and Balwinder Singh son of Pal Singh, residents of village Dialpura, Distt. Bathinda and at the time of borrowing the said amount, petitioner had agreed to repay the said amount to the respondent within the period of six months and also issued a post dated cheque No.030622 dated 02.04.2015 for a sum of Rs.19,00,000/- in favour of the respondent from her account maintained by the petitioner with State bank of Patiala, Goniana Mandi in the presence of aforesaid witnesses and at the time of issuance of cheque in question, petitioner had assured the respondent that the said cheque will be honoured as and when the same is presented for encashment on the due date. Bonafidely believing the assurance of the petitioner, respondent accepted the said cheque and since the accused did not repay the said amount of Rs.19,00,000/- to respondent within the period of six months, as such the respondent, after informing the petitioner, presented the said cheque in his account

with HDFC Bank, Goniana for encashment and the banker of the respondent further sent the said cheque to banker of the petitioner for clearance but the said cheque remained dishonoured and the same had been returned by the banker of the petitioner to the banker of the respondent along with cheque returning memo dated 03.04.2015 with remarks 'Account Closed'. After the receipt of the dishonoured cheque and memo, respondent got issued a legal notice dated 15.04.2015 posted on 17.04.2015 upon the petitioner through his counsel intimating the petitioner about the dishonour of the cheque and recalling to make the payment but the petitioner failed to make the payment of dishonoured cheque.

3. After completion of the trial, the petitioner was held guilty for the commission of an offence punishable under Section 138 of the Act. However, while awarding the sentence, the petitioner was ordered to undergo rigorous imprisonment for a period of two years, but was directed to pay a fine of Rs.10,000/- only and in default of payment of fine, she would further undergo rigorous imprisonment for a period of two months only and no compensation was awarded to the respondent. The petitioner/accused filed an appeal before the Court of District and Sessions Judge, Bathinda and the appellate Court/Court of Additional Sessions Judge, Bathinda, upheld the judgment of conviction and sentence passed by the trial Court.

Challenging the impugned judgment, the petitioner/accused preferred present revision petition before this Court.

4. After the issuance of the notice, the respondent did not appear before the Court despite service. Consequently, Mr. J.S. Mehndiratta, Advocate, was appointed as Amicus Curiae to assist the Court on behalf of respondent. Later on, Mr. P.K.S. Phoolka, Advocate, also appeared to represent the respondent and he was also heard by the Court. During the course of hearing of the matter, this Court had noticed that the prosecution in the present case was launched by the respondent/complainant for the dishonour of a cheque of Rs. 19,00,000/-, which was issued by the petitioner ten years ago on 02nd April, 2015. However, while awarding the sentence, the trial Court had directed the petitioner to pay a meager sum of Rs. 10,000/- only as fine and no amount of compensation was awarded to the respondent/complainant. Since, this Court felt that the trial Court should have exercised its discretion to impose fine and to order payment of compensation to the respondent, learned counsel for the parties were heard on the issue of awarding of adequate amount of compensation in view of the provisions of Section 138 read with Section 142 of the Act.

5. Having heard learned counsel for the petitioner and perused the record, the only question that begs determination in this case is what should be the approach of the trial Court while awarding

punishment to an accused convicted for commission of offence under Section 138 of the Act; whether the trial Court should, with or without the punishment of imprisonment, impose fine which is sufficient enough to meet the liability of the accused towards the complainant as represented by the bounced cheque ?.

6. With a view to appreciate the issue raised by learned counsel for the petitioner, it is necessary to first set out Section 138 of the Act.

"138. Dishonour of cheque for insufficiency, etc., of funds in the account. --Where any cheque drawn by a person on an account maintained by him with a banker for payment of any amount of money to another person from out of that account for the discharge, in whole or in part, of any debt or other liability, is returned by the bank unpaid, either because of the amount of money standing to the credit of that account is insufficient to honour the cheque or that it exceeds the amount arranged to be paid from that account by an agreement made with that bank, such person shall be deemed to have committed an offence and shall, without prejudice to any other provisions of this Act, be punished with imprisonment for a term which may be extended to two years, or with fine which may extend to twice the amount of the cheque, or with both:

Provided that nothing contained in this section shall apply unless--

(a) the cheque has been presented to the bank within a period of six months from the date on which it is drawn or within the period of its validity, whichever is earlier;

(b) the payee or the holder in due course of the cheque, as the case may be, makes a demand for the payment of the said amount of money by giving a notice in writing, to the drawer of the cheque within thirty days of the receipt of information by him from the bank regarding the return of the cheque as unpaid; and,

(c) the drawer of such cheque fails to make the payment of the said amount of money to the payee or, as the case may be, to the holder in due course of the cheque, within fifteen days of the receipt of the said notice.

Explanation- For the purposes of this section, "debt or other liability" means a legally enforceable debt or other liability".

7. As is apparent from a bare reading of Section 138 of the Act reproduced above, the Criminal Court after convicting the accused, is empowered to impose punishment of imprisonment for a term, which may extend to two years, or fine which may extend to twice the amount of cheque, or both. The trial Court is, thus, given the discretion to impose the sentence of imprisonment or fine or both.

8. That from a perusal of the provisions of Section 138 of the Act, it is apparent that the trial Court is empowered to award the imprisonment for a term, which may extend to two years or fine, which may extend to twice the amount of cheque or both. Thus, the trial Court was granted the discretion to impose the sentence of

imprisonment or fine or both. Still further, while exercising this discretion, the trial Court must put in mind the object of the enactment, i.e., Negotiable Instruments Act, particularly the object of engrafting the provisions of Section 138 of the Act on the statute book. The prime object of enacting Chapter XVII, which was inserted in the Act by way of Act No. 66 of 1988 was to control and discourage the menace of cheque bouncing in the course of commercial transactions and to encourage the culture of use of cheques and enhancing the credibility of the instrument. The observations made by the Hon'ble Supreme Court in the matter of ***Damoder S. Prabhu vs Sayed Babalal H. (2010) 5 SCC 663*** are reproduced as under:

"3. However, there are some larger issues which can be appropriately addressed in the context of the present case. It may be recalled that Chapter XVII comprising Sections 138 to 142 was inserted into the Act by the Banking, Public Financial Institutions and Negotiable Instruments Laws (Amendment) Act, 1988 (66 of 1988). The object of bringing Section 138 into the statute was to inculcate faith in the efficacy of banking operations and credibility in transacting business on negotiable instruments. It was to enhance the acceptability of cheques in settlement of liabilities by making the drawer liable for penalties in case of bouncing of cheques due to insufficient arrangements made by the drawer, with adequate safeguards to prevent harassment of honest drawers. If the cheque is dishonoured for insufficiency of

funds in the drawer's account or if it exceeds the amount arranged to be paid from that account, the drawer is to be punished with imprisonment for a term which may extend to two years, or with fine which may extend to twice the amount of the cheque, or with both"

"4 It may be noted that when the offence was inserted in the statute in 1988, it carried the provision for imprisonment up to one year, which was revised to two years following the amendment to the Act in 2002. It is quite evident that the legislative intent was to provide a strong criminal remedy in order to deter the worryingly high incidence of dishonour of cheques. While the possibility of imprisonment up to two years provides a remedy of a punitive nature, the provision for imposing a fine which may extend to twice the amount of the cheque serves a compensatory purpose. What must be remembered is that the dishonour of a cheque can be best described as a regulatory offence that has been created to serve the public interest in ensuring the reliability of these instruments. The impact of this offence is usually confined to the private parties involved in commercial transactions".

9. Later in paragraphs (17) and 18 of the said judgment, the Hon'ble Supreme Court, referring to recently published commentary on the topic of Section 138 of N.I. Act, made very apt observations. It was noticed by the Hon'ble Supreme that unlike other forms of crime, the punishment for commission of offence under Section 138 of the Act is not a means of seeking retribution, but is more a means to ensure payment of money and, therefore, in respect of offence of

dishonor of cheques, it is the compensatory aspect of the remedy which should be given priority over the punitive aspect. For ready reference, the observations of the Hon'ble Supreme Court in paragraphs (17) and (18) are reproduced:

"17. In a recently published commentary, the following observations have been made with regard to the offence punishable under Section 138 of the Act. Unlike that for other forms of crime, the punishment here (in so far as the complainant is concerned) is not a means of seeking retribution, but is more a means to ensure payment of money. The complainant's interest lies primarily in recovering the money rather than seeing the drawer of the cheque in jail. The threat of jail is only a mode to ensure recovery. As against the accused who is willing to undergo a jail term, there is little available as remedy for the holder of the cheque. If we were to examine the number of complaints filed which were 'compromised' or 'settled' before the final judgment on one side and the cases which proceeded to judgment and conviction on the other, we will find that the bulk was settled and only a miniscule number continued."

18 It is quite obvious that with respect to the offence of dishonour of cheques, it is the compensatory aspect of the remedy which should be given priority over the punitive aspect. There is also some support for the apprehensions raised by the learned Attorney General that a majority of cheque bounce cases are indeed being compromised or settled by way of compounding, albeit during the later stages of litigation thereby contributing to undue delay in justice- delivery. The problem herein is

with the tendency of litigants to belatedly choose compounding as a means to resolve their dispute. Furthermore, the written submissions filed on behalf of the learned Attorney General have stressed on the fact that unlike Section 320 of the CrPC, Section 147 of the Negotiable Instruments Act provides no explicit guidance as to what stage compounding can or cannot be done and whether compounding can be done at the instance of the complainant or with the leave of the court"

10. Similarly in the matter of **Somnath Sarkar vs Utpal Basu Mallick and another, (2013) 16 SCC 465**, the Hon'ble Supreme Court while considering the issue in paragraph (15) has summed up its observations in the following manner:

15..... Suffice it to say that the High Court was competent on a plain reading of Section 138 to impose a sentence of fine only upon the appellant.. Inasmuch as the High Court did so, it committed no jurisdictional error....."

11. The Hon'ble Jammu and Kashmir High Court in the case of **Abdul Hamid Mir Vs. Tariq Ahmad Khan (561-A Cr.P.C. No. 124/2015, decided on 20.02.2018)** has also made the similar observations.

12. From a reading of provisions of Section 138 of the Act in the context of laudable object sought to be achieved by Chapter XVII of the Act, it is abundantly clear that the Criminal Court while convicting an accused for commission of offence under Section 138

of the Act, cannot ignore the compensatory aspect of remedy and the compensatory aspect can only be given due regard if the sentence imposed is at least commensurate to the amount of cheque, if not more, so that this fine, once imposed, can be appropriated towards payment of compensation to the complainant by having resort to Section 357 of Cr.P.C. Before I proceed, it would be appropriate to set out the provisions of Section 357 as well.

"357. Order to pay compensation-(1) When a Court imposes a sentence of fine or a sentence (including a sentence of death) of which fine forms a part, the Court may, when passing judgment, order the whole or any part of the fine recovered to be applied:-

(a) in defraying the expenses properly incurred in the prosecution;

(b) in the payment to any person of compensation for any loss or injury caused by the offence, when compensation is, in the opinion of the Court, recoverable by such person in a Civil Court;

(c) when any person is convicted of any offence for having caused the death of another person or of having abetted the commission of such an offence, in paying compensation to the persons who are, under the Fatal Accidents Act, 1855 (13 of 1855), entitled to recover damages from the person sentenced for the loss resulting to them from such death;

(d) when any person is convicted of any offence which includes theft, criminal misappropriation, criminal breach of trust, or cheating, or of having dishonestly

received or retained, or of having voluntarily assisted in disposing of, stolen property knowing or having reason to believe the same to be stolen, in compensating any bona fide purchaser of such property for the loss of the same if such property is restored to the possession of the person entitled thereto.

(2) If the fine is imposed in a case which is subject to appeal, no such payment shall be made before the period allowed for presenting the appeal has elapsed, or, if an appeal be presented, before the decision of the appeal.

(3) When a Court imposes a sentence, of which fine does not form a part, the Court may, when passing judgment, order the accused person to pay, by way of compensation, such amount as may be specified in the order to the person who has suffered any loss or injury by reason of the act for which the accused person has been so sentenced.

(4) An order under this section may also be made by an Appellate Court or by the High Court or Court of Session when exercising its powers of revision.

(5) At the time of awarding compensation in any subsequent civil suit relating to the same matter, the Court shall take into account any sum paid or recovered as compensation under this section".

13. Even, the Hon'ble Supreme Court of India has held in the matter of ***Suganthi Suresh Kumar Vs. Jagdeeshan*** 2002(2) SCC 420 that the object of Section 138 of the Act is not only punitive, but compensatory as well. The Hon'ble Supreme Court clearly held that

the compensatory aspect must receive priority over the punitive aspect of Section 138 of the Act and the held as follows:-

"The total amount covered by the cheques involved in the present two cases was Rs. 4,50,000. There is no case for the respondent that the said amount had been paid either during the pendency of the cases before the trial court or revision before the High Court or this Court. If the amounts had been paid to the complainant there perhaps would have been justification for imposing a flee-bite sentence as had been chosen by the trial court. But in a case where the amount covered by the cheque remained unpaid it should be the look out of the trial Magistrates that the sentence for the offence under Section 138 should be of such a nature as to give proper effect to the object of the legislation. No drawer of the cheque can be allowed to take dishonour of the cheque issued by him light heartedly. The very object of enactment of provisions like Section 138 of the Act would stand defeated if the sentence is of the nature passed by the trial Magistrate. It is a different matter if the accused paid the amount at least during the pendency of the case"

14. In a later case of **R. Vijayan vs Baby & Anr, (2012) 1 SCC 260**, their Lordships of Hon'ble Supreme Court culled out the following principle from the provisions of Chapter XVII of the Act which states as under:

"The provision for levy of fine which is linked to the cheque amount and may extend to twice the amount of the cheque (section 138) thereby rendering section

357(3) virtually infructuous in so far as cheque dishonour cases are concerned".

The Hon'ble Supreme Court in the later part of the said judgment while alluding to the intention of the Legislature for enacting Section 138 held thus:

"17. The apparent intention is to ensure that not only the offender is punished, but also ensure that the complainant invariably receives the amount of the cheque by way of compensation under section 357(1)(b) of the Code. Though a complaint under section 138 of the Act is in regard to criminal liability for the offence of dishonouring the cheque and not for the recovery of the cheque amount, (which strictly speaking, has to be enforced by a civil suit), in practice once the criminal complaint is lodged under section 138 of the Act, a civil suit is seldom filed to recover the amount of the cheque. This is because of the provision enabling the court to levy a fine linked to the cheque amount and the usual direction in such cases is for payment as compensation, the cheque amount, as loss incurred by the complainant on account of dishonour of cheque, under section 357 (1) (b) of the Code and the provision for compounding the offences under section 138 of the Act. Most of the cases (except those where liability is denied) get compounded at one stage or the other by payment of the cheque amount with or without interest. Even where the offence is not compounded, the courts tend to direct payment of compensation equal to the cheque amount (or even something more towards interest) by levying a fine commensurate with the cheque amount. A stage has

reached when most of the complainants, in particular the financing institutions (particularly private financiers) view the proceedings under section 138 of the Act, as a proceeding for the recovery of the cheque amount, the punishment of the drawer of the cheque for the offence of dishonour, becoming secondary".

"18. Having reached that stage, if some Magistrates go by the traditional view that the criminal proceedings are for imposing punishment on the accused, either imprisonment or fine or both, and there is no need to compensate the complainant, particularly if the complainant is not a 'victim' in the real sense, but is a well-to-do financier or financing institution, difficulties and complications arise. In those cases where the discretion to direct payment of compensation is not exercised, it causes considerable difficulty to the complainant, as invariably, by the time the criminal case is decided, the limitation for filing civil cases would have expired. As the provisions of Chapter XVII of the Act strongly lean towards grant of reimbursement of the loss by way of compensation, the courts should, unless there are special circumstances, in all cases of conviction, uniformly exercise the power to levy fine upto twice the cheque amount (keeping in view the cheque amount and the simple interest thereon at 9% per annum as the reasonable quantum of loss) and direct payment of such amount as compensation. Direction to pay compensation by way of restitution in regard to the loss on account of dishonour of the cheque should be practical and realistic, which would mean not only the payment of the cheque amount but interest thereon at a reasonable rate.

Uniformity and consistency in deciding similar cases by different courts, not only increase the credibility of cheque as a negotiable instrument, but also the credibility of courts of justice".

"19. We are conscious of the fact that proceedings under section 138 of the Act cannot be treated as civil suits for recovery of the cheque amount with interest. We are also conscious of the fact that compensation awarded under section 357(1)(b) is not intended to be an elaborate exercise taking note of interest etc. Our observations are necessitated due to the need to have uniformity and consistency in decision making. In same type of cheque dishonour cases, after convicting the accused, if some courts grant compensation and if some other courts do not grant compensation, the inconsistency, though perfectly acceptable in the eye of law, will give rise to certain amount of uncertainty in the minds of litigants about the functioning of courts. Citizens will not be able to arrange or regulate their affairs in a proper manner as they will not know whether they should simultaneously file a civil suit or not. The problem is aggravated having regard to the fact that in spite of section 143(3) of the Act requiring the complaints in regard to cheque dishonour cases under section 138 of the Act to be concluded within six months from the date of the filing of the complaint, such cases seldom reach finality before three or four years let alone six months. These cases give rise to complications where civil suits have not been filed within three years on account of the pendency of the criminal cases. While it is not the duty of criminal courts to ensure that successful complainants

get the cheque amount also, it is their duty to have uniformity and consistency, with other courts dealing with similar cases."

15. Still further, the Hon'ble Supreme Court in the matter of ***Bir Singh Vs. Mukesh Kumar, (2019) 4 SCC 197*** expressed its anguish that some Magistrates went by the traditional view, that the criminal proceedings were for imposing punishment and did not exercise discretion to direct payment of compensation, causing considerable difficulty to the complainant, as invariably the limitation for filing civil cases would expire by the time, the criminal case was decided. Even, this Court has no hesitation to hold that while imposing sentence under Section 138 of the Act, the Court should exercise its discretion in imposing fine by having regard to Section 357(3) of Cr.P.C. Rather, the Criminal Court should bear in the mind the laudable object of engrafting Chapter XVII containing Section 138 to 142 of the Act and give priority to compensatory aspect of remedy.

16. Indisputably, the Legislature has given discretion to the Magistrate to impose a sentence of fine which may extend to double the amount of cheque and, therefore, the sentence of fine whenever imposed by the Criminal Court upon conviction of accused under Section 138 of the Act must be sufficient enough to adequately compensate the complainant. The amount of cheque and the date from which the amount under the cheque has become payable along with

payment of reasonable interest may serve as good guide in this regard. To be consistent and uniform, it is always advisable to impose a fine equivalent to the amount of cheque plus at least 6% interest per annum from the date of cheque till the date of judgment of conviction. However, before inflicting such fine, the trial Magistrate must eschew the amount of interim compensation, if any, paid under Section 143A of the Act or such other sum which the accused might have paid during the trial or otherwise towards discharge of liability. It may or may not accompany the sentence of simple imprisonment. It is purely in the discretion of the trial Magistrate but having regard to the object of legislation, it shall be appropriate if the sentence of imprisonment imposed is kept at the minimum unless, of course, the conduct of accused demands otherwise.

17. In the present case also, it is apparent that the trial Court has miserably failed to take into account the peculiar facts of the present case and has imposed a fine of Rs.10,000/- only under Section 138 of the Act and in default of payment of fine, the petitioner/accused had been directed to further undergo rigorous imprisonment for a period of two months and no amount of compensation was awarded. Thus, the respondent, who was the complainant before the trial Court had even been deprived of an amount of Rs.19,00,000/-, which had become payable to him on 02.04.2015, i.e., about 10 years ago.

18. Consequently, the present revision petition is allowed and the impugned judgment passed by the appellate Court, i.e., the Court of Sh. Mahesh Grover, Additional Sessions Judge, Bathinda and the order on quantum of sentence dated 25.10.2017 passed by the Court of Rajbinder Kaur, Judicial Magistrate 1st Class, Bathinda, are set-aside and the matter is remanded back to the trial Court for considering the imposition of sentence on the present petitioner, *de-novo*, in the light of the legal preposition discussed and the observations made hereinabove.

19. Needless to observe that the trial Court shall hear the parties afresh, before imposing the sentence on the petitioner.

20. Since, the petitioner is in custody, she shall be released on bail on her furnishing bail bonds/surety bonds to the satisfaction of the learned trial Court/Duty Magistrate/CJM concerned till the passing of order on quantum of sentence by the trial Court and, thereafter, the trial Court shall proceed in accordance with law.

21. Before parting with the judgment, this Court places on record its deep appreciation for Mr. J.S. Mehndiratta, learned Amicus Curiae, who had rendered able assistance to the Court.

22. Apart from this, I deem it appropriate to direct the Registrar General of this Court to circulate this judgment to all the judicial officers, subject to the jurisdiction of this Court, so that the uniformity and inconsistency in the matter of imposing the sentence

of fine having regard to the compensatory aspect of the remedy under Section 138 of the Act is ensured.

23. All pending applications, if any, are disposed off, accordingly.

10.03.2025	(N.S.SHEKHAWAT)
amit rana	JUDGE
Whether reasoned/speaking	: Yes/No
Whether reportable	: Yes/No