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* **IN THE HIGH COURT OF DELHI AT NEW DELHI**

\+ CRL.A. 46/2022

PURAN CHAND KAUSHAL .....Appellant

Through: Mr. Mukeem Chauhan, Advocate.

versus

SATISH CHAND SHARMA .....Respondent

Through: Mr. Arvind Sharma, Mr. Manish Gupta and Ms. Siddhi Popli. Advocates.

\+ CRL.REV.P. 156/2022, CRL.M.A. 22299/2023

SATISH CHAND SHARMA .....Petitioner

Through: Mr. Arvind Sharma, Mr. Manish Gupta and Ms. Siddhi Popli. Advocates.

versus

PURAN CHAND KAUSHAL .....Respondent

Through: Mr. Mukeem Chauhan, Advocate.

CORAM:
HON'BLE MR. JUSTICE SANJEEV NARULA

O R D E R

% **02.07.2025**

1. The parties, Mr. Puran Chand Kaushal and Mr. Satish Chand Sharma are both senior citizens who have been neighbours and known each other for a considerable period. In the year 2016, Mr. Kaushal extended a friendly loan to Mr. Sharma, amounting to a total of ₹8,20,000, disbursed in three instalments. Towards repayment of this loan, Mr. Sharma issued three post-

dated cheques in favour of Mr. Kaushal; however, all these cheques were returned unpaid upon presentation, having been dishonoured.

2. Consequently, in 2017, Mr. Kaushal instituted a complaint under Section 138 of the Negotiable Instruments Act, 1881[1], against Mr. Sharma, pertaining to the principal loan amount of ₹8,20,000, which was registered as Complaint Case No. 5600/2017. During the pendency of those proceedings, Mr. Sharma agreed to pay interest at the rate of 2% per month on the outstanding principal, which was calculated to be ₹2,75,000 as on 1st August, 2017. In acknowledgment of this liability, Mr. Sharma executed a receipt dated 1st August, 2017, expressly recording his obligation to pay the said interest amount. Subsequently, on 31st December, 2017, Mr. Sharma issued a cheque towards discharge of this interest liability; however, this cheque too was dishonoured upon presentation. As a result, Mr. Kaushal filed a second complaint under Section 138 of the NI Act, which was registered as Complaint Case No. 8595/2018. The orders passed in these two complaint cases have culminated in the present petitions.

3. In Complaint Case No. 5600/2017, pertaining to the principal loan amount, the Trial Court convicted Mr. Sharma for the offence punishable under Section 138 of the NI Act, and sentenced him to pay a fine of ₹9 Lakhs. In default of payment, he was directed to undergo simple imprisonment for a period of one year. Aggrieved by this conviction, Mr. Sharma preferred an appeal before the Sessions Court, registered as Criminal Appeal No. 100/2021; however, the appeal was dismissed, thereby affirming the Trial Court's judgment. The order passed by the Sessions Court has now been challenged by Mr. Sharma through the present Revision

Petition [CRL.REV. P. 156/2022]. On the other hand, in Complaint Case No. 8595/2018, which relates to the interest component, the Trial Court acquitted Mr. Sharma. This acquittal has been assailed by Mr. Kaushal through the accompanying Appeal [CRL.A. 46/2022]. It is pertinent to note that the aggregate amount involved in the cheques forming the subject matter of both proceedings cumulatively stands at ₹10.95 Lakhs.

4. However, during the pendency of the present proceedings, the parties arrived at a settlement, the terms whereof were recorded in the order 25th March, 2025, to the following effect:

> *"1. Both parties, who are present before the Court in person, jointly state that they would like to amicably resolve their disputes. Mr. Satish Chand Sharma, the accused under Section 138 of the Negotiable Instruments Act, 1881, submits that against the cumulative amount of the four different cheques issued by him, which form the subject matter of the present appeal and revision amounting to INR 8.20 lakhs, he is willing to pay INR 8 lakhs to Mr. Puran Chand Kaushal - the Complainant, towards full and final settlement of the claims under the cheques.*
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> *2. In this regard, Mr. Satish Chand Sharma states that he would have no objection if the amount of INR 4.5 Lakhs, along with accrued interest, which already stands deposited with the Trial Court in terms of order dated 22nd April, 2022 passed by this Court, is released in favour of the Complainant. He further states that he shall pay the balance amount of INR 3.5 to the Complainant within three months from today. Counsel for Mr. Puran Chand Kaushal - the Complainant, states on instructions that the aforenoted terms are acceptable to the Complainant.*
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> *3. Further, both parties agree that in the event the balance amount is not paid, the amount of INR 4.5 Lakhs along with the interest due, which is to be released in favour of the Complainant, shall be forfeited and shall not be adjusted against the fine amount of INR 9 Lakhs imposed in the terms of the impugned order on sentence dated 8th November, 2021. Further, the present proceedings shall be revived at the request of complainant.*
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> *4. Let the accused - Mr. Satish Chand Sharma as well as Mr. Puran Chand Kaushal file their affidavits to this effect within one week from today.*
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> *5. Let a settlement agreement be drawn up and placed on record before the next date of hearing for consideration of the compounding of the offence.*

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[1] "NI Act"

6. List on 21st April, 2025.”

5. Pursuant to the above settlement, partial payments were made by Mr. Sharma, as duly noted in subsequent orders. However, at one stage, it appeared that the parties were not fully adhering to the agreed terms, and on 20th May, 2025, counsel for the Petitioner indicated an inclination to have the matter adjudicated on merits. Nevertheless, on 22nd May, 2025, on receipt of further payments, Mr. Kaushal reaffirmed his acceptance of the settlement. As on that date, a balance amount of ₹1.5 Lakhs remained outstanding, for which Mr. Sharma undertook to make payment within fifteen days.

6. Today, during the course of proceedings, the balance amount of ₹1.5 Lakhs has been tendered in cash by Mr. Sharma, which Mr. Kaushal has duly acknowledged and accepted. Upon receipt of this final payment, as per his undertaking noted in order dated 22nd May, 2025, Mr. Kaushal has agreed to withdraw his appeal challenging the order of acquittal. He has also undertaken to withdraw the other pending civil revision before the Patiala House Courts. Furthermore, he states that he has no objection to the compounding of offence, which is subject matter of challenge in revision petition. His statement is taken on record and shall be binding upon him.

7. Section 147 of the NI Act provides that every offence punishable under the Act is compoundable. Although, an attempt for compounding of the offence under NI Act should be made at the initial stage, the Courts have consistently held that there is no bar against seeking compounding of the offence even after conviction[2]. Thus, it is no longer *res integra* that offences

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[2] ***K.M. Ibrahim v. K.P. Mohammed & Anr.***, (2010) 1 SCC 798

under the NI Act, including offence under Section 138, can be compounded at any stage, even in revisional proceedings.

8. At the same time, it must also be emphasised that the Supreme Court in the case of ***Damodar S. Prabhu v. Sayed Babalal H.*[3]*,*** issued the following guidelines for compounding of the offences under the NI Act:

> *"4... 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.*
> *xxx*
> *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...*
> *xxx*
> *21. With regard to the progression of litigation in cheque bouncing cases, the learned Attorney General has urged this Court to frame guidelines for a graded scheme of imposing costs on parties who unduly delay compounding of the offence. It was submitted that the requirement of deposit of the costs will act as a deterrent for delayed composition, since at present, free and easy compounding of offences at any stage, however belated, gives an incentive to the drawer of the cheque to delay settling the cases for years. An application for compounding made after several years not only results in the system being burdened but the complainant is also deprived of effective justice. In view of this submission, we direct that the following guidelines be followed:*
>
> *THE GUIDELINES*
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> *(i) In the circumstances, it is proposed as follows:*
> *(a) That directions can be given that the writ of summons be suitably modified making it clear to the accused that he could make an application for compounding of the offences at the first or second hearing of the case and that if such an application is made, compounding may be allowed by the court without imposing any costs on the accused.*
> *(b) If the accused does not make an application for compounding as aforesaid, then if an application for compounding is made before the Magistrate at a subsequent stage, compounding can be allowed subject to the condition that the*

[3] (2010) 5 SCC 663

accused will be required to pay 10% of the cheque amount to be deposited as a condition for compounding with the Legal Services Authority, or such authority as the court deems fit.
(c) Similarly, if the application for compounding is made before the Sessions Court or a High Court in revision or appeal, such compounding may be allowed on the condition that the accused pays 15% of the cheque amount by way of costs.
(d) Finally, if the application for compounding is made before the Supreme Court, the figure would increase to 20% of the cheque amount.
xxx
25. ***The graded scheme for imposing costs is a means to encourage compounding at an early stage of litigation. In the status quo, valuable time of the court is spent on the trial of these cases and the parties are not liable to pay any court fee since the proceedings are governed by the Code of Criminal Procedure, even though the impact of the offence is largely confined to the private parties. Even though the imposition of costs by the competent court is a matter of discretion, the scale of costs has been suggested in the interest of uniformity. The competent court can of course reduce the costs with regard to the specific facts and circumstances of a case, while recording reasons in writing for such variance. Bona fide litigants should of course contest the proceedings to their logical end****."*

[Emphasis supplied]

9. In light of the above guidelines, it is evident that this Court, while compounding an offence under the NI Act, especially at the revisional stage, must impose costs having regard to amount of the cheque. However, at the same time, this Court is also vested with the discretion to reduce the costs, considering the facts and circumstances of the specific case.

10. In the present case, the litigation between the parties has lasted for about 7 years and the Complainant, Mr. Kaushal has proactively sought reliefs under NI Act for disbursement of the amounts. While there is no doubt that the Complainant, being a senior citizen, ought not to have been compelled to run from pillar to post seeking the return of his hard-earned money, the Court is equally mindful of the financial constraints faced by the accused, Mr. Sharma and his inability to pay costs over and above the

agreed upon settlement amount. Therefore, the Court deems it fit to impose costs of ₹25,000/- on Mr. Sharma. The cost of be ₹15,000 shall be paid to the Complainant, Mr. Kaushal, whereas the cost of ₹10,000 shall be deposited with the Delhi Police Welfare Fund. Subject to above costs, the offence under Section 138 of the NI Act shall stand compounded.

11. Lastly, in light of the fact that the parties have now resolved their matters through a settlement/compromise, CRL.A. 46/2022 is dismissed as withdrawn, as requested by the Appellant, Mr. Kaushal.

12. With the above direction, the petitions are disposed of along with pending application(s).

13. Proof of payment of cost be filed before the Trial Court within a period of four weeks from today.

SANJEEV NARULA, J

JULY 2, 2025/*nk*