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

+ **ARB.P. 1907/2024**

Date of Decision: **24.04.2025**

IN THE MATTER OF:

AAPKA HUMDUM SOLUTIONS AND SERVICES LLP

.....Petitioner

Through: Mr.Zakir Hussain and Mr.Rashid Ali,
Advocates.

versus

HARSH DODEJA

.....Respondent

Through: Mr.Amrendra Ray, Advocate.

HON'BLE MR. JUSTICE PURUSHAINDRA KUMAR KAURAV

JUDGEMENT

PURUSHAINDRA KUMAR KAURAV, J. (ORAL)

1. The present petition has been filed under Section 11 of the Arbitration and Conciliation Act, 1996 (the 1996 Act) by the petitioner, seeking appointment of an Arbitrator, to adjudicate upon the disputes that have arisen between the parties under the Loan Agreement dated 30.09.2022.
2. The facts of the case would indicate that the petitioner is a Non-Banking Financial Company (NBFC) carrying out its business of granting various types of loans to the customer in the territory of India. The respondent has availed a short term on Demand Loan for one day from petitioner-Company *vide* agreement dated 30.09.2022 for balance transfer of



his existing Gold Loan. The petitioner-Company had transferred the loan amount of ₹7,63,801/- in the account of the respondent.

3. As per the agreement dated 30.09.2022, respondent was bound to make the repayment within one day or maximum within 15 days since the date of execution of Agreement and disbursal of loan.

4. Learned counsel for the petitioner submits that the respondent has defaulted in repayment of the said loan. It is further stated that the petitioner has invoked the arbitration clause 10 in terms of the Agreement dated 30.09.2022 and initiated the arbitration proceedings within the meaning of Section 21 of the 1996 Act.

5. Heard learned counsel appearing on behalf of the parties.

6. The Court takes note of Clause 10 of the Agreement dated 30.09.2022 reads as under:-

“10. That both the parties explicitly agree that the disputes between the parties arising or relating to this agreement and payment/re-payment shall be settled through arbitration in accordance with Arbitration and conciliation Act 1996, and same shall be referred to the sole arbitrator mutually appointed by the parties. The arbitrator proposed by the aggrieved party (firm or the second party as the case may be), shall be deemed to be mutually appointed and will be entitled to enter into the reference and decide the dispute, if the proposal of his name is not disputed by the other party within 15 days of receipt of notice of invocation of arbitration clause. The seat of arbitral tribunal shall be at Delhi and language shall be English. The cost of arbitration shall be borne by the party against whom the arbitration award is passed. The award of the sole arbitrator shall be binding on both the parties. The parties agree to submit to the exclusive jurisdiction of the Courts at Delhi. It is further agreed that District court of South Distt –Delhi or Delhi High Court as the case may be, shall be the Principal Civil Court for the purpose of any proceedings under the Arbitration and conciliation Act 1996. The notices to the parties sent through any of the modes Viz post/email/ WhatsApp/Courier and same shall be deemed to be valid service of notice or other communications under this agreement.”



7. Learned counsel for the respondents submits that though the reply has been filed in the instant petition, however, the Court may consider appointing an Arbitrator reserving all rights and contentions of the respondents.

8. The law with respect to the scope and standard of judicial scrutiny under Section 11(6) of the 1996 Act has been fairly well settled. This Court as well in the order dated 24.04.2025 in case of ARB.P. 145/2025 titled as ***Pradhaan Air Express Pvt Ltd v. Air Works India Engineering Pvt Ltd*** has extensively dealt with the scope of interference at the stage of Section 11. The Court held as under:-

*9. The law with respect to the scope and standard of judicial scrutiny under Section 11(6) of the 1996 Act has been fairly well settled. The Supreme Court in the case of **SBI General Insurance Co. Ltd. v. Krish Spinning**,¹ while considering all earlier pronouncements including the Constitutional Bench decision of seven judges in the case of **Interplay between Arbitration Agreements under the Arbitration & Conciliation Act, 1996 & the Indian Stamp Act, 1899, In re**² has held that scope of inquiry at the stage of appointment of an Arbitrator is limited to the extent of prima facie existence of the arbitration agreement and nothing else.*

*10. It has unequivocally been held in paragraph no.114 in the case of **SBI General Insurance Co. Ltd** that observations made in **Vidya Drolia v. Durga Trading Corpn.**,³ and adopted in **NTPC Ltd. v. SPML Infra Ltd.**,⁴ that the jurisdiction of the referral court when dealing with the issue of “accord and satisfaction” under Section 11 extends to weeding out ex-facie non-arbitrable and frivolous disputes would not apply after the decision of **Re: Interplay**. The abovenoted*

¹ 2024 SCC OnLine SC 1754.

² 2023 SCC OnLine SC 1666.

³ (2021) 2 SCC 1.

⁴ (2023) 9 SCC 385.



paragraph no.114 in the case of **SBI General Insurance Co. Ltd** reads as under:-

“114. In view of the observations made by this Court in *In Re: Interplay* (supra), it is clear that the scope of enquiry at the stage of appointment of arbitrator is limited to the scrutiny of prima facie existence of the arbitration agreement, and nothing else. For this reason, we find it difficult to hold that the observations made in *Vidya Drolia* (supra) and adopted in *NTPC v. SPML* (supra) that the jurisdiction of the referral court when dealing with the issue of “accord and satisfaction” under Section 11 extends to weeding out ex-facie non-arbitrable and frivolous disputes would continue to apply despite the subsequent decision in *In Re: Interplay* (supra).”

11. Ex-facie frivolity and dishonesty are the issues, which have been held to be within the scope of the Arbitral Tribunal which is equally capable of deciding upon the appreciation of evidence adduced by the parties. While considering the aforesaid pronouncements of the Supreme Court, the Supreme Court in the case of **Goqii Technologies (P) Ltd. v. Sokrati Technologies (P) Ltd.**,⁵ however, has held that the referral Courts under Section 11 must not be misused by one party in order to force other parties to the arbitration agreement to participate in a time-consuming and costly arbitration process. Few instances have been delineated such as, the adjudication of a non-existent and malafide claim through arbitration. The Court, however, in order to balance the limited scope of judicial interference of the referral Court with the interest of the parties who might be constrained to participate in the arbitration proceedings, has held that the Arbitral Tribunal eventually may direct that the costs of the arbitration shall be borne by the party which the Arbitral Tribunal finds to have abused the process of law and caused unnecessary harassment to the other parties to the arbitration.

12. It is thus seen that the Supreme Court has deferred the adjudication of aspects relating to frivolous, non-existent and malafide claims from the referral stage till the arbitration proceedings eventually come to an end. The relevant extracts of

⁵ (2025) 2 SCC 192.



Goqii Technologies (P) Ltd. reads as under:-

“20. As observed in Krish Spg. [SBI General Insurance Co. Ltd. v. Krish Spg., (2024) 12 SCC 1 : 2024 SCC OnLine SC 1754 : 2024 INSC 532] , frivolity in litigation too is an aspect which the referral court should not decide at the stage of Section 11 as the arbitrator is equally, if not more, competent to adjudicate the same.

21. Before we conclude, we must clarify that the limited jurisdiction of the referral courts under Section 11 must not be misused by parties in order to force other parties to the arbitration agreement to participate in a time consuming and costly arbitration process. This is possible in instances, including but not limited to, where the claimant canvasses the adjudication of non-existent and mala fide claims through arbitration.

22. With a view to balance the limited scope of judicial interference of the referral courts with the interests of the parties who might be constrained to participate in the arbitration proceedings, the Arbitral Tribunal may direct that the costs of the arbitration shall be borne by the party which the Tribunal ultimately finds to have abused the process of law and caused unnecessary harassment to the other party to the arbitration. Having said that, it is clarified that the aforesaid is not to be construed as a determination of the merits of the matter before us, which the Arbitral Tribunal will rightfully be equipped to determine.”

13. In view of the aforesaid, the scope at the stage of Section 11 proceedings is akin to the eye of the needle test and is limited to the extent of finding a prima facie existence of the arbitration agreement and nothing beyond it. The jurisdictional contours of the referral Court, as meticulously delineated under the 1996 Act and further crystallised through a consistent line of authoritative pronouncements by the Supreme Court, are unequivocally confined to a prima facie examination of the existence of an arbitration agreement. These boundaries are not merely procedural safeguards but fundamental to upholding the autonomy of the arbitral process. Any transgression beyond this limited judicial threshold would not only contravene the legislative intent enshrined in Section 8 and Section 11 of the 1996 Act but also risk undermining the sanctity and efficiency of arbitration as a preferred mode of dispute resolution. The referral Court must, therefore, exercise restraint and refrain from venturing into the merits of the dispute or adjudicating issues that fall squarely within the jurisdictional domain of the arbitral



*tribunal. It is thus seen that the scope of enquiry at the referral stage is conservative in nature. A similar view has also been expressed by the Supreme Court in the case of **Ajay Madhusudan Patel v. Jyotrindra S. Patel**⁶.*

9. In view of the fact that disputes have arisen between the parties and there is an arbitration clause in the contract, this Court is inclined to appoint an Arbitrator to adjudicate upon the disputes between the parties.
10. Accordingly, the Court appoints Ms. Yamini Singh, Advocate (Mob No-+91 9811392715, Email- yaminisingh.adv@gmail.com) as the Sole Arbitrator to adjudicate the dispute between the parties.
11. The Sole Arbitrator may proceed with the arbitration proceedings, subject to furnishing to the parties, requisite disclosures as required under Section 12 of the 1996 Act.
12. The Sole Arbitrator shall be entitled to fee in accordance with the IVth Schedule of the 1996 Act; or as may otherwise be agreed to between the parties and the learned Sole Arbitrator.
13. The parties shall share the arbitrator's fee and arbitral cost, equally.
14. All rights and contentions of the parties in relation to the claims/counter claims are kept open, to be decided by the Sole Arbitrator on their merits, in accordance with law.
15. Needless to say, nothing in this order shall be construed as an expression of opinion of this Court on the merits of the controversy between the parties. All rights and contentions of the parties in this regard are reserved. Let the copy of the said order be sent to the newly appointed Arbitrator through the electronic mode as well.

⁶ (2025) 2 SCC 147.



2025:DHC:3323



16. Accordingly, the instant petition stands disposed of.

APRIL 24, 2025
Nc/sph

PURUSHAINDRA KUMAR KAURAV, J

Click here to check corrigendum, if any