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Crl. MP No. 3103 of 2
in Crl.A.No.1383 of 2



IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED: 20-02-2026

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THE HONOURABLE MR.JUSTICE SUNDER MOHAN

**Crl.MP No. 3103 of 2026
in Crl.A.No.1383 of 2024**

V.T. Janarthanan
S/o. Thiruvengadm Pillai,
D3, Karthik Flat,
Dr.Vijayaraghava Salai, T.Nagar,
Chennai - 600 017.
(Now Confined at Central Prison,
Puzhal, Chennai)
(Produced through the Superintendent
of Prison)

...Petitioner(s)

Vs.

M. Gerald Arokiaraj
S/o. Michael Alfred,
No.56, Golden Complex,
MKB Nagar, Vyasarpadi,
Chennai - 600 039.

...Respondent(s)

PRAYER: Criminal Miscellaneous Petition is filed under Section 528 of BNSS,2023, r/w 147 of Negotiable Instruments Act, 1881 and 482 of the Code of Criminal Procedure, 1973, to record the compromise entered into between the parties and compound of the offence u/s.147 of the Negotiable Instruments Act in view of the Joint Compromise dated 12.02.2026 and set aside the Judgment dated 05.08.2025 passed in Crl.A.No.1383 of 2024 and consequently acquit the petitioner / Accused in STC.No.1052 of 2021; Consequently to release the petitioner / accused, V.T.Janarthanan, now confined at Central Prison, Puzhal, Chennai.

For Petitioner(s): Mr..Bakiyaraj

For Respondent(s): Mr.K.Sivaramalingam



ORDER

The petitioner was originally acquitted by the judgment dated 06.08.2024 passed by the learned IV Additional Sessions Judge, City Civil Court, Chennai in Crl.A.No.471 of 2023 for the offence under Section 138 of the Negotiable Instruments Act, 1881 (*hereinafter referred to as NI Act*) and was subsequently convicted by this Court in an appeal against acquittal in C.A.No.1383 of 2024. The petitioner has preferred the present petition seeking to set aside the order dated 05.08.2025 in C.A.No.1383 of 2024 passed by this Court on the ground of compromise.

2. The learned counsel for the respondent confirms the compromise and the learned counsels have produced a joint compromise memo dated 12.02.2026, by which the respondent herein has received a sum of Rs.35,00,000/- in full and final settlement of all his claims against the petitioner.

3. The respondent is present in-person and identified by his counsel and confirms the said fact.

4. When a specific question was put to the learned counsel for the petitioner as to how the petition is maintainable, the learned counsel relied upon



the judgment of the Hon'ble Supreme Court in ***Gian Chand Garg vs. Harpal Singh and another***, reported in 2025 *LiveLaw* (SC) 865, wherein the Hon'ble Supreme Court set aside the order passed by the High Court refusing to modify the sentence confirmed in revision while convicting the accused therein. The relevant portion of the judgment reads as follows:

“3.2 After the dismissal of the revision petition, the parties arrived at a compromise/settlement on 06.04.2025, whereunder the first respondent (complainant) herein indicated his no objection to the appellant filing an application for altering the order of the revisional court and to seek acquittal. In this background, the appellant preferred an application in the revision, CRM No.15127/2025, seeking modification of the order dated 27.03.2025 referred to supra, whereunder the revision petition by the accused-appellant had been dismissed. The High Court, by order dated 09.04.2025, dismissed the said application on the ground of non-maintainability.

4. We have heard the learned counsels appearing on the behalf of the appellant and respondent no. 1 and perused the materials on record. However, none entered appearance on behalf of respondent No. 2-State of Haryana, may be for the reason that settlement has arrived between the parties.

5. Be that as it may, at the outset, it is apposite to



advent to settled position of law enunciated by this court with regard to nature of proceedings under section 138 NI Act and the legal consequences that ensues upon a compromise being entered into between the parties.

6. This court in M/s. Meters and Instruments Private Limited & Anr. v. Kanchan Mehta 2018 (1) SCC 560 held that the nature of offence under section 138 of the NI Act is a mainly a civil wrong and has been made specifically compoundable by section 147 of the NI Act which was inserted by the 2002 amendment to the said Act. The relevant observations have been extracted for reference:

“This Court has noted that the object of the statute was to facilitate smooth functioning of business transactions. The provision is necessary as in many transactions’ cheques were issued merely as a device to defraud the creditors. Dishonor of cheque causes incalculable loss, injury and inconvenience to the Vide the Banking, Public Financial Institutions and Negotiable Instruments Laws (Amendment) Act, 1988 payee and credibility of business transactions suffers a setback. At the same time, it was also noted that nature of offence under Section 138 primarily related to a civil wrong and the 2002 amendment specifically made it compoundable.”



7. It is also apposite to reiterate the observations in *P. Mohanraj & Ors. v. M/s. Shah Brothers Ispat Pvt. Ltd.* (2021) 6 SCC 258 wherein this court referred the offence under section 138 NI Act as a “Civil Sheep” in “Criminal Wolf’s Clothing” which meant issues agitated by the parties under the said provision are of private nature which are brought within the sweep of criminality jurisdiction in order to strengthen the credibility of the negotiable instruments.

8. Further in *M/s. Gimpex Private Limited v. Manoj Goel* (2021) SCC OnLine SC 925 this court took into consideration the effect of settlement arrived between the parties and observed that:

“38. When a complainant party enters into a compromise agreement with the accused, it may be for a multitude of reasons- Higher Compensation, faster recovery of money, uncertainty of trial and strength of complaint, among others. A complainant enters into a settlement with open eyes and undertakes the risk of the accused failing to honour the cheques issued pursuant to the settlement, based on certain benefits that the settlement agreement postulates. Once parties voluntarily entered into such an agreement and agree to abide by the consequence of non-compliance of the settlement agreement, they cannot be allowed to reverse the effects of the agreement by pursuing both the original complaint and the subsequent complaint arising



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from such non-compliance. The Settlement agreement subsumes the original complaint.....”

9. In B.V. Sessaiah v. State of Telangana & Anr. (2023) SCC OnLine SC 96 this court was of the view that when parties enter into an agreement and compound the offence, they do so to save themselves from the process of litigation and when such a step is taken by the parties, the law very well allows them to do so. Hence, the courts cannot override such compounding and impose its will.

10. Therefore, it is very clear that although dishonour of cheque entails criminal consequence, the legislature by virtue of section 147 of the NI Act has made it compoundable notwithstanding the provisions of the Code of Criminal Procedure, 1973 and the same can be compounded at any stage of the proceedings especially when the parties have themselves arrived at a voluntary compromise.

11. In the present case, the compromise deed dated 06.04.2025 and the Affidavit on behalf of the Respondent No.1 dated 16.04.2025 is annexed to the present petition as Annexure P3 and P6, respectively. Upon careful perusal of the recitals contained in the said documents, it clearly emerges that the Respondent No.1 in consideration of Two Demand Drafts bearing no(s). 004348 dated 04.04.2025



and 004303 dated 11.02.2025 for Rs. 2.5 lakhs each along with three cheques bearing no(s). 354412 dated 10.05.2025, 354413 dated 10.06.2025 and 354414 dated 10.07.2025 of Rs.1 lakh each has arrived at a compromise with appellant without any coercion and at his own will and voluntarily. Once the complainant has signed the compromise deed accepting the amount in full and final settlement of the default sum the proceedings under Section 138 of the NI Act cannot hold water, therefore, the concurrent conviction rendered by the Courts below has to be set-aside.”

5. Further, in ***P.Mohanraj vs. Shah Brothers Private Limited***, reported in 2021(6) SCC 250, the Hon'ble Supreme Court while considering the applicability of Section 14 of the Insolvency and Banking Code to proceedings under Section 138 of the Negotiable Instruments Act, had held that the proceedings under the Act are quasi-criminal in nature. After referring to various judgments on the subject, the Hon'ble Supreme Court had held as follows:

“67. A conspectus of these judgments would show that the gravamen of a proceeding under [Section 138](#), though couched in language making the act complained of an offence, is really in order to get back through a summary proceeding, the amount contained in the dishonoured cheque together with interest and costs, expeditiously and cheaply. We have already seen how it is the victim alone



who can file the complaint which ordinarily culminates in the payment of fine as compensation which may extend to twice the amount of the cheque which would include the amount of the cheque and the interest and costs thereupon. Given our analysis of *Chapter XVII of the Negotiable Instruments Act* together with the amendments made thereto and the case law cited hereinabove, it is clear that a quasi-criminal proceeding that is contained in *Chapter XVII of the Negotiable Instruments Act* would, given the object and context of *Section 14* of the IBC, amount to a “proceeding” within the meaning of *Section 14(1)(a)*, the moratorium therefore attaching to such proceeding.”

6. In ***Damodar S. Prabhu v. Sayed Babalal H*** reported in **2010 (5) SCC 663**, the Hon'ble Supreme Court held as follows:

17. In a recently published commentary, the following observations have been made with regard to the offence punishable under Section 138 of the Act [cited from: Arun Mohan, Some thoughts towards law reforms on the topic of Section 138, Negotiable Instruments Act—Tackling an avalanche of cases (New Delhi: Universal Law Publishing Co. Pvt. Ltd., 2009) at p. 5]:

“... Unlike that for other forms of crime, the punishment here (insofar as the complainant is concerned) is not a means of seeking retribution, but is more a means to ensure



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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 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.

7. The observations made by the Hon'ble Supreme Court in the aforesaid cases would show that the offence under Section 138 NI Act is quasi-criminal and predominantly a civil dispute. The primary object of the Act is to compensate the complainant and the punitive aspect is secondary. It is also seen from the judgment of ***Gian Chand Garg's case (cited supra)*** that an application for compounding an offence under Section 138 of NI Act can be entertained by this Court even after the final judgment has been passed. Hence, the joint compromise memo dated 12.02.2026 is taken on record. The judgment of conviction and sentence dated 28.02.2023 passed by this Court in Crl.A.No.1383 of 2024 dated 05.08.2025 is set aside.

8. It is now reported that the petitioner is in custody since 07.02.2026. In view of the above, the petitioner shall be set at liberty forthwith. On release, the



petitioner is directed to pay a sum of Rs.30,000/- (Rupees Thirty Thousand Only) to the Tamil Nadu Mediation and Conciliation Centre, High Court, Madras.

9. List the matter for reporting compliance after two weeks.

20-02-2026

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Note : Issue order copy today.



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SUNDER MOHAN J.
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To
1. The Superintendent of Prison,
Central Prison, Puzhal

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20-02-2026