BEFORE THE MADURAI BENCH OF MADRAS HIGH COURT

RESERVED ON : 27.02.2026

PRONOUNCED ON : 01.06.2026

CORAM

THE HONOURABLE MRS.JUSTICE L.VICTORIA GOWRI

Crl.O.P.(MD).No.19971 of 2025
and
Crl.M.P.(MD)Nos.4108 and 16817 of 2025

1. Sampath

2. Saveetha

... Petitioners/Accused

Vs.

1. The State of Tamilnadu,
   Rep. by the Inspector of Police,
   DCB,
   Theni District.
   Crime No.15/2024.

..... Respondent / Complainant

2. Rajarathinam

.... Respondent /
Defacto Complainant

Prayer: Criminal Original Petition is filed under Section 528 of BNSS, 2023, to call for the records pertaining to the impugned FIR in Crime No.15/2024 dated 25.05.2025 on the file of the 1st respondent herein and to quash the same.

For Petitioners : Mr.C.M.Arumugam

For R-1 : Mr.S.Ravi,
Additional Public Prosecutor

For R-2 : Mr.Kappadurai

ORDER

The present petition invokes the extraordinary inherent jurisdiction of this Court under Section 528 of the Bharatiya Nagarik Suraksha Sanhita, 2023, corresponding to Section 482 Cr.P.C., 1973, seeking quashment of the First Information Report in Crime No.15 of 2024 registered for the offences under Sections 406, 420, 120-B, 294(b) and 506(ii) IPC.

2. The case at hand presents a familiar yet legally delicate question as to whether a commercial and partnership dispute, interwoven with allegations of monetary transactions, fiduciary obligations, rendition of accounts and subsequent breakdown of trust, can legitimately assume the colour of criminal prosecution or whether the criminal machinery has been invoked merely as a pressure tactic in a predominantly civil dispute.

3. The petitioners would contend that the dispute emanates purely from partnership and business transactions and that the allegations, even if accepted in toto, do not satisfy the statutory ingredients of criminal breach of trust, cheating or criminal conspiracy. The prosecution, on the other hand, would maintain that systematic deception, dishonest inducement and misappropriation of partnership funds are clearly disclosed warranting a thorough investigation.

4. This Court is therefore called upon to carefully examine the FIR allegations, the surrounding circumstances and the statutory ingredients of the offences alleged, while bearing in mind the settled principles governing quashment of FIRs.

Case of the prosecution:

5. The case of the prosecution, as discernible from the impugned FIR, is that the *defacto* complainant and the first accused were close relatives and long-standing friends. The petitioners, namely accused Nos.1 and 2, are husband and wife.

6. According to the prosecution, during the year 2008, the complainant and the petitioners jointly decided to commence a diesel vehicle pump service and spare parts business under the name and style "Bharath Pump House". It is alleged that the complainant, his wife and the petitioners entered into a partnership arrangement and jointly obtained financial assistance from the Federal Bank by mortgaging properties belonging to the complainant's mother-in-law and the first accused.

7. It is further alleged that subsequently, in the year 2010, the parties intended to venture into LPG distributorship business pursuant to an advertisement issued by Bharat Petroleum Corporation Limited inviting applications for LPG dealership at Allinagaram, Theni. The prosecution case further proceeds that since the first accused possessed the requisite vocational qualification, the dealership application was made in her name. A partnership deed dated 11.08.2010 was allegedly executed among the complainant, his wife and the petitioners, whereby each agreed to invest 25% share capital and enjoy equal profits.

8. According to the *defacto* complainant, substantial amounts were thereafter invested by him for securing dealership, construction of godown, obtaining approvals and purchase of LPG cylinders. The FIR further alleges that on various dates during 2013, the petitioners received several sums aggregating to nearly Rs.20,00,000/- from the *defacto* complainant for the purposes of the LPG gas agency business.

9. The further allegation is that though the business prospered, the petitioners failed to properly account for the profits and systematically excluded the complainant from the affairs of the business. The prosecution further alleges that in July 2023, when the *defacto* complainant demanded accounts, the petitioners abused him in filthy language, denied his status as partner, threatened him with dire consequences and attempted to assault him with an iron rod.

10. It is also alleged that during an audit conducted by one Anandakumar, financial irregularities and misappropriation of partnership funds by the petitioners came to light. On the basis of

the said allegations, the impugned FIR came to be registered for offences under Sections 406, 420, 120-B, 294(b) and 506(ii) IPC.

Grounds for quash:

11. The petitioners seek quashment primarily on the following grounds:

11.1. The petitioners would contend that the dispute arises out of partnership transactions, rendition of accounts and alleged investment disputes, which are purely civil in nature. According to them, the appropriate remedy available to the *defacto* complainant is only by way of civil proceedings for dissolution of partnership and rendition of accounts.

11.2. The petitioners contend that the *defacto* complainant deliberately suppressed the retirement deed dated 05.04.2011 whereby the complainant and his wife allegedly retired from the earlier business concern. It is their case that the suppression itself establishes mala fides behind the criminal complaint.

11.3. The petitioners further contend that “Unjalamman Bharath Gas Agency” is a sole proprietorship concern of the first petitioner and not a partnership concern. It is submitted that all statutory licences, income tax returns and business registrations stand solely in the name of the first petitioner.

11.4. The petitioners contend that substantial amounts allegedly advanced by the complainant had already been repaid through NEFT and bank transactions. It is their case that the very FIR itself acknowledges repayment of Rs.9,90,000/- and therefore dishonest intention cannot be inferred.

11.5. The petitioners would specifically contend that:

- there was no dishonest intention from inception to attract Section 420 IPC;
- no entrustment is made out to constitute Section 406 IPC;
- Section 294(b) IPC is not attracted since the occurrence allegedly took place inside a private residence;
- the allegations relating to intimidation are vague and omnibus in nature.

11.6. The petitioners would further contend that the impugned complaint is a counterblast to complaints earlier lodged by them against the third accused regarding alleged financial misappropriation.

Arguments on either side:

12. The learned counsel appearing for the petitioners elaborately contended that the entire FIR is a classic example of converting a commercial disagreement into a criminal prosecution. The learned counsel would submit that the relationship between the parties admittedly arose out of business transactions and partnership arrangements extending over several years. It is argued that the allegations themselves reveal continuous financial dealings, repayment transactions and mutual business participation, which wholly negate any allegation of dishonest intention from inception.

13. The learned counsel would further submit that even according to the FIR, monies were invested for business purposes and not entrusted for any specific fiduciary custody. According to the learned counsel, every allegation in the FIR pertains to accounting

disputes, alleged profit sharing discrepancies and disagreement over business ownership.

14. Placing heavy reliance upon the judgment of the Hon'ble Supreme Court in ***State of Haryana v. Bhajan Lal***[1], it is contended that where the allegations predominantly disclose a civil dispute, continuation of criminal proceedings would amount to abuse of process of law. The learned counsel further submitted that the FIR itself demonstrates material contradictions regarding repayment of amounts and alleged partnership status.

15. It is also argued that Section 420 IPC is wholly inapplicable since the FIR does not disclose fraudulent inducement at the inception of the transaction. The learned counsel would submit that the allegations under Section 406 IPC are equally unsustainable since partnership disputes relating to business funds cannot automatically constitute criminal breach of trust.

16. The learned counsel further argued that Section 294(b) IPC is *ex facie* inapplicable since the alleged abusive words were not

1 1992 Supp(1) SCC 335

uttered in a public place. According to the learned counsel, the allegations are vague, omnibus and intended only to pressurise the petitioners in the business dispute.

17. Per contra, the learned Additional Public Prosecutor submitted that the FIR clearly discloses cognizable offences warranting thorough investigation. It is contended that the *defacto* complainant had invested huge sums based upon the representations made by the petitioners and was subsequently dishonestly excluded from the business.

18. The learned Additional Public Prosecutor would submit that the allegations disclose systematic deception and diversion of funds. It is further submitted that the question whether the concern was a partnership or proprietorship is itself a disputed question of fact requiring investigation.

19. The learned counsel appearing for the *defacto* complainant submitted that the petitioners cannot seek quashment merely because the dispute also possesses civil facets. According to the

learned counsel, civil liability and criminal liability can coexist. It is submitted that the petitioners dishonestly induced the complainant to invest substantial amounts and thereafter denied his rights altogether.

20. The learned counsel would further submit that the allegations regarding intimidation and abuse are specific and cannot be discarded at the threshold. It is therefore contended that the FIR discloses *prima facie* commission of cognizable offences and the investigation should be permitted to proceed unhindered.

21. Heard the learned counsels on either side and carefully perused the materials available on record.

Points for consideration:

22. The following points arise for consideration in the present petition:

(i) Whether the allegations in the FIR disclose the ingredients of offences under Sections 406, 420, 120-B, 294(b) and 506(ii) IPC?

(ii) Whether the dispute is purely civil in nature?

(iii) Whether continuation of criminal proceedings would amount to abuse of process of law?

Analysis:

23. The law governing quashment of FIR is well settled. The inherent jurisdiction of this Court is extraordinary in nature and is to be exercised sparingly, carefully and with abundant caution. At the stage of FIR, the Court is not expected to conduct a meticulous appreciation of evidence. However, where the allegations, even if accepted in entirety, fail to disclose the ingredients of any offence or where the criminal proceedings are manifestly attended with mala fides, the Court would be justified in exercising its inherent powers.

24. To attract Section 420 IPC, the prosecution must *prima facie* establish:(i)dishonest inducement; (ii) fraudulent intention from inception; (iii) delivery of property pursuant to such inducement.

25. The FIR allegations reveal long-standing business association between the parties extending over several years. The

transactions appear to have arisen out of mutual business arrangements, investments and partnership dealings.

26. Significantly, the FIR itself refers to repayment of substantial amounts and continuous financial transactions between the parties. Mere subsequent denial of partnership rights or disputes regarding profit sharing would not automatically constitute cheating.

27. The essential ingredient of dishonest intention at the inception of the transaction appears conspicuously absent from the FIR allegations. The Hon'ble Supreme Court has repeatedly held that breach of contractual obligations or business disputes cannot automatically be criminalised unless fraudulent intention existed from the very inception. This Court finds considerable force in the contention of the petitioners that the allegations primarily disclose a commercial dispute.

28. Section 406 IPC requires: (i) entrustment of property; (ii) dishonest misappropriation or conversion thereof. In the present case, the monies allegedly invested by the *defacto* complainant were

admittedly infused into a business venture. Partnership transactions and utilisation of business funds ordinarily fall within the realm of accounting and civil adjudication unless there is clear evidence of dishonest conversion.

29. The FIR allegations primarily revolve around alleged failure to account for business profits and denial of partnership rights. Such allegations, in the considered view of this Court, predominantly disclose civil liability rather than criminal breach of trust.

30. The FIR itself states that the alleged abusive words were uttered at the residence of the first petitioner's mother. Section 294(b) IPC requires utterance of obscene words in or near a public place causing annoyance to others. *Prima facie*, the foundational ingredient relating to public place is absent.

31. Though allegations of intimidation are made, they are largely omnibus and incidental to the underlying business dispute. The allegations do not *prima facie* disclose threats of such gravity as contemplated under Section 506(ii) IPC.

32. This Court is conscious of the settled principle that criminal proceedings ought not to be scuttled at the threshold merely because civil remedies are also available. However, where the criminal process is manifestly employed for settlement of commercial scores, the Hon'ble High Court would be justified in exercising its inherent jurisdiction.

33. The cumulative reading of the FIR unmistakably demonstrates that the dispute essentially concerns: (i) partnership arrangements; (ii) ownership claims; (iii) business investments; (iv) profit sharing; and (iv) rendition of accounts.

34. The allegations do not satisfactorily disclose the essential criminal ingredients necessary for continuation of prosecution. Continuation of investigation in the present case would therefore amount to abuse of process of law.

Epilogue:

35. Criminal law cannot be permitted to become an instrument of coercion in business and partnership disputes. Commercial

relationships often deteriorate into bitter litigations. However, every breach of trust in the colloquial sense does not amount to criminal breach of trust in the legal sense. Courts must carefully guard against attempts to convert civil disputes into criminal prosecutions merely to exert pressure upon the opposite party.

36. The allegations in the present FIR, even if accepted in their entirety, predominantly reveal a commercial and accounting dispute arising out of business relationships between closely related parties. The essential ingredients constituting offences under Sections 406 and 420 IPC are conspicuously absent. Consequently, this Court is of the considered view that continuation of the impugned FIR would amount to abuse of process of law warranting interference under Section 528 BNSS.

37. In the result, this Criminal Original Petition is allowed. The FIR in Crime No.15 of 2024 dated 25.05.2024 on the file of the first respondent police is hereby quashed insofar as the petitioners/Accused Nos.1 and 2 are concerned. Consequently, connected miscellaneous petition is closed.

01.06.2026

NCC : Yes / No
Index : Yes / No
Internet : Yes/ No

Sml

To

1. The Inspector of Police,
   DCB,
   Theni District.

2. The Additional Public Prosecutor,
   Madurai Bench of Madras High Court,
   Madurai.

L.VICTORIA GOWRI, J.

Sml

CRL OP(MD)No.19971 of 2025

01.06.2026