

116 IN THE HIGH COURT OF PUNJAB AND HARYANA
AT CHANDIGARH

2026 PHHC.025371



CRM-M-25596-2019 (O&M)

Date of Decision: 16.02.2026

SHIV KUMAR VIG AND ANOTHER ... PETITIONERS
VERSUS
STATE OF PUNJAB AND ANOTHER ... RESPONDENTS

CORAM : HON'BLE MR. JUSTICE H.S.GREWAL

Present:- Mr. Aalok Jagga, Advocate with
Mr. Karan Inder Singh, Mr. Aryaman Jagga and
Mr. Madhav Singhal, Advocates for the petitioners.

Mr. Rishabh Singla, A.A.G., Punjab.

Mr. Bhupinder Singh, Advocate
for the respondent no.2.

H.S. GREWAL, J. (ORAL)

1. The present petition has been filed by the petitioners under Section 482 Cr.P.C. for quashing the FIR No. 279 dated 28.12.2018 under Section 406 IPC registered at Police Station Model Town, District Hoshiarpur along with all the consequential proceedings arising therefrom.

2. Learned counsel for the petitioners contends that the petitioners have been falsely implicated in the present case. It is submitted that the dispute, on a plain reading of the FIR, arises out of business transactions between the parties and is purely civil in nature. The complainant alleges that the petitioners, who are engaged in running a brick kiln, had purchased coal from the complainant's company between the years 2013 and 2016, partly on credit. It is further alleged that an amount of ₹6,50,000/- was advanced to the petitioners on 31.07.2014, which was withdrawn from the bank. Out of the total alleged liability of ₹16,00,000/-, a sum of ₹9,50,000/-

is stated to pertain to the purchase of coal and ₹6,50,000/- towards a loan transaction.

3. Learned counsel for respondent No.2 submits that the outstanding amount was never repaid. Although a settlement was purportedly arrived at, the same was not honoured by the petitioners, and only ₹70,000/- was paid against the total claimed amount of ₹16,00,000/-.

4. To support his submissions, learned counsel for the petitioners has further placed reliance upon the judgment of Hon'ble Supreme Court in **Delhi Race Club Limited Vs. State of U.P. 2024 INSC 626** wherein it has been held that the offences of cheating and criminal breach of trust are distinct and mutually exclusive, and that a mere breach of contractual obligation, absent dishonest intention at inception, does not constitute a criminal offence. The Apex Court has categorically observed that mere non-payment of dues arising from a commercial transaction would not attract the provisions of Section 406 IPC unless there is clear averment and proof of entrustment and dishonest misappropriation. The relevant portion of the judgment reads as under:-

“The distinction between mere breach of contract and the offence of criminal breach of trust and cheating is a fine one. In case of cheating, the intention of the accused at the time of inducement should be looked into which may be judged by a subsequent conduct, but for this, the subsequent conduct is not the sole test. Mere breach of contract cannot give rise to a criminal prosecution for cheating unless fraudulent or dishonest intention is shown right from the beginning of the transaction i.e. the time when the offence is said to have been committed. Therefore, it is this intention, which is the gist of the offence. Whereas, for the criminal breach of trust, the property must have been entrusted to the accused or he must have dominion over it. The property in respect of which the offence of breach of trust has been committed must be either the property of some person other than the accused or the beneficial interest in or ownership of it must be of some other person. The accused must hold that property on trust of such

other person. Although the offence, i.e. the offence of breach of trust and cheating involve dishonest intention, yet they are mutually exclusive and different in basic concept. There is a distinction between criminal breach of trust and cheating. For cheating, criminal intention is necessary at the time of making a false or misleading representation i.e., since inception. In criminal breach of trust, mere proof of entrustment is sufficient. Thus, in case of criminal breach of trust, the offender is lawfully entrusted with the property, and he dishonestly misappropriated the same. Whereas, in case of cheating, the offender fraudulently or dishonestly induces a person by deceiving him to deliver any property. In such a situation, both the offences cannot co-exist simultaneously.”

5. It has further been argued that the present case squarely falls within the parameters laid down by the Hon’ble Supreme Court in ***State of Haryana v. Bhajan Lal***, 1992 Supp (1) SCC 335, particularly where the allegations, even if taken at face value, do not disclose the commission of any cognizable offence and essentially disclose a civil dispute. The parties admittedly had longstanding business dealings, and the dispute relates to rendition of accounts and recovery of money, for which an efficacious civil remedy was available.

6. Upon consideration of the submissions and perusal of the record, this Court finds that the allegations emanate from admitted commercial transactions between the parties. There is no specific averment demonstrating entrustment of property in the legal sense or dishonest misappropriation thereof so as to constitute an offence under Section 406 IPC. The dispute pertains to alleged non-payment of dues arising from business dealings, which, in essence, gives rise to a civil liability.

7. In view of the settled legal position and the facts of the present case, continuation of the criminal proceedings would amount to an abuse of the process of law.

8. Accordingly, FIR No. 279 dated 28.12.2018 registered under

Section 406 IPC at Police Station Model Town, District Hoshiarpur, along with all consequential proceedings arising therefrom, is hereby quashed.

9. Pending application(s), if any, shall also stand disposed of.

16.02.2026
Janki

(H.S.GREWAL)
JUDGE

Whether speaking/reasoned : Yes/No
Whether reportable : Yes/No