IN THE HIGH COURT OF PUNJAB AND HARYANA AT CHANDIGARH

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CRM-M-51513-2025
Date of decision: 19.01.2026

SATRAJ SINGH ......Petitioner

VERSUS

STATE OF PUNJAB AND ANOTHER ....Respondents

CORAM : HON'BLE MR. JUSTICE VINOD S. BHARDWAJ

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Present: - Mr. Hardik Ahluwalia, Advocate for the petitioner.

Mr. Saurav Verma, Addl. A.G. Punjab.

Mr. Ashish Rana, Advocate for Mr. Vishal Thakur, Advocate for respondent No.2.

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VINOD S. BHARDWAJ, J. (Oral)

Prayer in the present petition filed by the petitioner under Section 528 of Bharatiya Nagarik Suraksha Sanhita, 2023 is for seeking quashing of complaint No.NACT/151/2017 dated 17.05.2017 (Annexure P-1) filed under Section 138 of the Negotiable Instruments Act, 1881 by respondent No.2, judgment and order dated 30.01.2020 (Annexure P-2) passed by learned Additional Chief Judicial Magistrate, Fatehgarh Sahib and the judgment dated 29.09.2022 passed by the Additional District Judge, Fatehgarh Sahib (Annexure P-3) along with all consequential proceedings arising therefrom on the basis of compromise dated 01.05.2025 (Annexure P-4).

2. Briefly stated, the facts giving rise to the present proceedings are that respondent No. 2–complainant instituted a complaint under Section 138

of the Negotiable Instruments Act, 1881 against the petitioner, alleging that in the month of March, 2016, the petitioner had borrowed a sum of Rs.3,20,000/- from the complainant. In discharge of the said legally enforceable liability, the petitioner issued three cheques in favour of the complainant, namely: cheque No. 706373 dated 10.03.2017 for a sum of Rs.1,20,000/-, cheque No. 706372 dated 10.03.2017 for a sum of Rs.1,00,000/- and cheque No. 706371 dated 17.03.2017 for a sum of Rs.1,00,000/-. Upon presentation, all the aforesaid cheques were returned unpaid by the bank with the endorsement "funds insufficient". Consequent thereto, respondent No. 2 filed a complaint under Section 138 of the Act before the learned Additional Chief Judicial Magistrate, Fatehgarh Sahib. The trial culminated in the conviction of the petitioner vide judgment dated 30.01.2020, whereby the petitioner was sentenced to undergo rigorous imprisonment for a period of one year and was further directed to pay compensation to the tune of Rs.3,20,000/- to respondent No. 2–complainant.

3. It is however averred that with the intervention of the respectables from both sides, the matter has now been settled and resolved amicably. It is further submitted that the compromise amongst the parties was effected on account of free will and without any pressure and coercion.

4. Pursuant to the order dated 15.09.2025, costs of Rs. 10,000/- has been deposited by the petitioner and the receipt thereof is taken on record and report has also been received from the Additional Chief Judicial Magistrate, Fatehgarh Sahib vide Memo No. 200 dated 03.11.2025. The relevant extract of the report reads thus:-

"i. There is only one accused namely Satraj Singh.

ii. There is only one complainant namely Rajeshwar Parshad.

iii. Both the parties i.e. Rajeshwar Parshad and accused Satraj Singh have signed the compromise deed i.e. Ex. CX, copy of which is already before Hon'ble High Court.

iv. Apart from the complainant Rajeshwar Parshad and accused Satraj Singh, there is no other party involved in the present case.

v. No accused has been declared as proclaimed person.

vi. On the basis of said statements suffered by the parties, the compromise entered between the parties seems to be genuine, voluntary and without any coercion or undue influence."

5. Learned State counsel does not dispute the factum of the compromise amongst the parties and does not have any serious objection to the resolution of the dispute amongst the parties.

6. Mr. Ashish Rana, Advocate for Mr. Vishal Thakur, Advocate appear on behalf of respondent No. 2 and reiterate the settlement and their concurrence to the quashing of the FIR alongwith all the other consequential proceedings.

7. Hon'ble Supreme Court in the matter of ***Gian Chand Garg v. Harpal Singh & Anr.*** Vide judgment dated 11.08.2025 in ***Criminal Appeal No. 3789 of 2025 (Arising out of Special Leave Petition (Criminal) No. 8050 of 2025)*** has held as under:

5. Be that as it may, at the outset, it is apposite to advert 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. Dishonour 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 from such non-compliance. The Settlement agreement subsumes the original complaint........"*
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> *9. In B.V. Seshaiah 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.*

8. Thus, it is well settled that an offence under Section 138 of the Negotiable Instruments Act, 1881 is primarily civil in nature, though it carries criminal consequences to ensure financial discipline in commercial dealings. Under Section 147 of the Act, such offence is expressly made compoundable and a lawful compounding can take place at any stage of the proceedings if the parties voluntarily and genuinely arrive at a settlement. The legislative intent is clear that courts must respect such bona fide compromises, notwithstanding the provisions of the Code of Criminal Procedure, 1973. Once the complainant accepts the settlement in full and final satisfaction of the cheque amount or liability, the very basis of the prosecution disappears and any conviction recorded by the courts below cannot be sustained as continuation of the proceedings would amount to an abuse of the process of the Court.

9. On consideration of the above, the following relevant factors emerge for supplementing a case for invocation of the powers under Section 528 of BNSS, 2023:-

a. It stands established from the report submitted by the

Additional Chief Judicial Magistrate, Fatehgarh Sahib, that the parties have entered into a lawful compromise of their own volition, which is genuine, bona fide and free from any coercion, undue influence or pressure of any nature whatsoever.

b. The petitioner is approximately 41 years old and his continued entanglement in criminal proceedings is likely to entail grave and disproportionate consequences upon the discharge of his social and familial obligations, besides causing irreparable prejudice to his professional standing and career prospects.

c. The complaint in question relates to dishonor of cheques and vide judgement dated 30.01.2020, the petitioner is convicted for a period of 1 year for commission of offence under Section 138 of the Negotiable Instruments Act, 1881.

d. The offence(s) can neither be characterised as heinous or such as would shock the collective conscience of society nor do they partake the character of offences that shock the judicial conscience of the Court.

e. By virtue of Section 147 of the Negotiable Instruments Act, the offence under Section 138 is expressly compoundable, and a lawful compounding can take place at any stage of the proceedings, including after conviction.

f. The complainant has accepted the settlement in full and final satisfaction of the cheque amount and the underlying liability, thereby extinguishing the very substratum of the prosecution.

g. Upholding the conviction despite a voluntary settlement between the parties would defeat the legislative intent underlying Section 147 of the Act and would amount to an abuse of the process of law.

h. Quashing of the complaint and conviction in the facts and circumstances of the case would advance the ends of justice, restore harmony between the parties, and prevent unnecessary continuation of criminal proceedings.

10. In view of the report submitted by the Additional Chief Judicial Magistrate, Fatehgarh Sahib and having regard to the settled principles laid down by the Hon'ble Supreme Court on the subject, the instant petition is allowed. The judgment and order dated 30.01.2020 (Annexure P-2) passed by learned Additional Chief Judicial Magistrate, Fatehgarh Sahib and the judgment dated 29.09.2022 passed by the Additional District Judge, Fatehgarh Sahib (Annexure P-3) are set aside and the complaint No. NACT/151/2017 dated 17.05.2017 (Annexure P-1) filed under Section 138 of the Negotiable Instruments Act, 1881, and all other consequential proceedings arising therefrom **are hereby quashed** in view of the compromise dated 01.05.2025 (Annexure P-4).

Petition is allowed.

(VINOD S. BHARDWAJ)
JUDGE

JANUARY 19, 2026
Vishal Sharma

Whether speaking/reasoned : Yes/No
Whether Reportable : Yes/No