$~48 and 49

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

\+ **<u>W.P.(C) 11419/2025 and CM APPL. 47372/2025</u>**

GAURAV MITTAL SUSPENDED DIRECTOR OF CHD DEVELOPERS LIMITED

.....Petitioner

Through: Mr. Aditya Gauri, Mr. Amar Vivek, Mr. Damini Srestha, Mr. Anant Jain, Mr. Aryan Chhabra, Advocates.

versus

GOVERNMENT OF NCT OF DELHI AND ORS

.....Respondent

Through: Mr. Anubhav Gupta, Panel Counsel (Civil) / GNCTD, Advocate for R-1. Mr. Manoj Yadav Advocate for R-2.

49

\+ **<u>W.P.(C) 12913/2025 and CM APPL. 52786/2025</u>**

GAURAV MITTAL SUSPENDED DIRECTOR OF CHD DEVELOPERS LIMITED

.....Petitioner

Through: Mr. Aditya Gauri, Mr. Amar Vivek, Mr. Damini Srestha, Mr. Anant Jain, Mr. Aryan Chhabra, Advocates.

versus

GOVERNMENT OF NCT OF DELHI AND ORS & ORS.

.....Respondent

Through: Mr. Anubhav Gupta, Panel Counsel (Civil) / GNCTD, Advocate for R-1. Mr.Siddharth banthia, Advocate.

CORAM:
HON'BLE MR. JUSTICE PURUSHAINDRA KUMAR KAURAV

<u>O R D E R</u>

% **06.05.2026**

1. The instant petitions have been filed by the petitioner against the

order dated 12.06.2025 passed by the National Consumer Disputes Redressal Commission ('NCDRC') in execution petitions filed by the respective decree-holders. The petitioner is the suspended Director of CHD Developers Limited. There was a decree against the company, which seems to have gone under the Corporate Insolvency Resolution Process ('CIRP') proceedings. The matter is still pending before the National Company Law Tribunal ('NCLT'). In the execution petitions, the decree-holder sought relief against the Directors and the petitioner is one of them.

2. When the matter was called out on the last date of hearing, learned counsel appearing on behalf of the respondents pointed out the order dated 06.10.2025 passed by this Court in W.P.(C) 15246/2025 and contended that subsequent to filing of these petitions, the petitioner had filed the said writ petition, which was disposed of on 06.10.2025 granting liberty to the petitioner to press his application for recall of the order dated 08.09.2025. The order dated 08.09.2025 was subsequent to the order dated 12.06.2025. The recall application filed by the petitioner is stated to be pending before the NCDRC.

3. Additionally, learned counsel appearing on behalf of the decree-holder points out that the controversy involved herein has been authoritatively answered by the Supreme Court in the case of ***Saranga Anilkumar Aggarwal vs. Bhavesh Dhirajlal Sheth & Ors.***[1]. Specific reliance has been placed on paragraph nos.2, 35, 36, 39 and 41 thereof, which are extracted as under:-

> *"2. This Court is called upon to adjudicate whether execution proceedings under Section 27 of the Consumer Protection Act, 19863, can also be stayed during an interim moratorium under Section 96 of the*

[1] 2025 INSC 314

IBC. The present matter arises from an application filed by the appellant, who is the proprietor of proforma respondent no. 3 – East & West Builders (RNA Corp. Group Co.), in an execution application filed by respondent nos. 1 and 2 before the NCDRC, challenging the execution of multiple penalty orders imposed by the NCDRC during the pendency of insolvency proceedings against the Corporation. The appellant contends that the imposition and execution of these penalties should be stayed due to the pendency of insolvency proceedings initiated under Section 95 of the IBC.

.....

.....

35. The penalties imposed by the NCDRC arise due to non-compliance with consumer protection laws and serve a regulatory function rather than constituting "debt recovery proceedings." This distinction is crucial. The IBC is designed to deal with insolvency resolution and financial distress, whereas consumer protection laws exist to uphold consumer rights and ensure fair business practices. The penalties under Section 27 of the CP Act are aimed at compelling compliance and cannot be equated with recovery of an outstanding debt. The appellant cannot claim that such penalties fall within the scope of a debt moratorium, as they do not constitute financial liabilities owed to a creditor but rather statutory obligations enforced to uphold consumer rights. Allowing the stay of such penalties would effectively enable businesses to flout consumer protection mandates by merely initiating insolvency proceedings, which would be an unintended and dangerous consequence of a misinterpretation of the law.

36. The distinction between proceedings under Section 138 of the NI Act and those under Section 27 of the CP Act must also be examined. Proceedings under Section 138 of the NI Act pertain to dishonour of cheques and are criminal in nature, where the assumption of debt is inherent in the offence itself. The dishonour of a cheque indicates a failure to honour financial obligations, and the proceedings are initiated for the recovery of the debt in question. In contrast, Section 27 of the CP Act deals with noncompliance with consumer protection orders, which are remedial in nature rather than criminal. The primary focus of proceedings under Section 27 of the CP Act is to enforce consumer rights and ensure that service providers fulfil their obligations. These proceedings do not assume the existence of a financial debt but rather deal with deficiencies in service and the failure to comply with consumer redressal mechanisms. Thus, the analogy drawn by the appellant between the moratorium on Section 138, NI Act proceedings and Section 27, CP Act proceedings is misconceived and legally untenable.

39. The present case does not involve a mere financial dispute but *concerns the enforcement of consumer rights through regulatory penalties. Given that the legislative intent behind the CP Act is to ensure compliance with consumer welfare measures, staying such penalties would be contrary to public policy. Further, the appellant cannot invoke insolvency proceedings as a shield to evade statutory liabilities. The objective of the IBC is to provide a mechanism for resolving financial distress, not to nullify obligations arising under regulatory statutes.*

40. For the foregoing reasons, this Court finds no merit in the appellant's arguments. The penalties imposed by the NCDRC are regulatory in nature and do not constitute "debt" under the IBC. The moratorium under Section 96 of the IBC does not extend to regulatory penalties imposed for non-compliance with consumer protection laws.

41. The appeal is accordingly dismissed, and the appellant is directed to comply with the penalties imposed by the NCDRC within a period of eight weeks from the date of this judgment."

4. In view of the subsequent development and fact that the recall application of subsequent order is pending, it would not be appropriate to interfere into the order dated 12.06.2025. Instead, liberty is granted to the parties to make all their submissions before the appropriate forum i.e. NCDRC or if, is permissible before the NCLT in pending proceedings.

5. Accordingly, the instant petitions stand dismissed along with all pending applications.

6. All rights and contentions of the petitioner are left open.

PURUSHAINDRA KUMAR KAURAV, J

MAY 6, 2026
Nc