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

+ CRL.M.C. 8953/2025 & CRL.M.A. 37393/2025, 38001/2025

APURV JAIN

.....Petitioner

Through: Mr. Pramod Kr. Dubey, Sr. Adv.
with Mr. Nakul Gandhi, Mr.
Satyam Sharma, Mr. Yash Saxena,
Advocates.

versus

AANVI FINANCIAL CONSULTANTS

.....Respondent

Through: Mr. Avneet Singh, Advocate with
Mr. Shiv Agarwal, Director.

CORAM:

HON'BLE MR. JUSTICE PRATEEK JALAN

ORDER

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24.03.2026

1. By way of the present petition under Section 528 of the Bharatiya Nagarik Suraksha Sanhita, 2023, the petitioner seeks quashing of conviction order dated 22.01.2025 and sentencing orders dated 17.11.2025 and 18.11.2025, passed by the Court of Metropolitan Magistrate, District East, Karkardooma Courts, Delhi, in CT Case No. 53439/2016, in view of a compromise between the parties.

2. The subject complaint was instituted under Section 138 read with Section 142 of the Negotiable Instruments Act, 1881 ["NI Act"], by Mr. Shiv Agarwal, Director of the respondent – Aanvi Financial Consultants Private Limited, alleging that financial assistance had been extended to the petitioner over a period of time and, in discharge of his legal liability, the petitioner issued four cheques amounting to Rs. 43,00,000/-, drawn on ICICI Bank Ltd., Model Town Branch, New Delhi - 110009, in favour of the respondent. The respondent presented the said cheques for



encashment with its banker, i.e., Axis Bank Ltd., Preet Vihar Branch, Delhi-110092. However, the same were dishonoured and returned unpaid with the remarks “*Funds Insufficient*”. It is further the case of the respondent that despite multiple demands and the issuance of a statutory legal notice, the petitioner failed to fulfil his financial obligations, thereby necessitating the filing of the subject complaint.

3. *Vide* order dated 30.10.2025 of the Metropolitan Magistrate, Rohini Courts, the complaint was directed to be transferred to Karkardooma Courts (East), Delhi, on account of territorial jurisdiction the said Court.

4. The complaint case culminated in the conviction of the petitioner *vide* judgment dated 22.01.2025 for the offence under Section 138 of the NI Act.

5. By order dated 17.11.2025¹, the petitioner was sentenced to simple imprisonment for a period of five months and directed to pay compensation of Rs. 75,00,000/- to the respondent within a period of one month, failing which he was to undergo further simple imprisonment for a period of two months.

6. By a separate order of the same date, the learned Trial Court granted ad-interim suspension of sentence upon an oral application of the petitioner, affording him liberty to prefer an appeal, and directed him to furnish bail bonds under Section 389 of the Code of Criminal Procedure, 1973 [“Cr.P.C.”]. It was further directed that in case of failure to prefer an appeal or to appear on the next date of hearing, the petitioner would be

¹ The order on record bears the date 18.11.2025, but it was subsequently clarified by the order of the learned Magistrate dated 18.12.2025 that the said order was, in fact, passed on 17.11.2025.



liable to surrender and his bail bonds would be liable to be forfeited.

7. It is submitted by learned counsel for the parties that post-conviction, the parties have amicably resolved their disputes. A Compromise Deed dated 11.12.2025 was executed between the petitioner and the respondent, whereby the petitioner agreed to pay a total sum of Rs. 1,20,00,000/- (in two instalments of Rs. 75,00,000/- and Rs. 45,00,000/-) to the respondent towards full and final settlement of all disputes arising out of the present proceedings. The respondent has, in terms of the said settlement, expressed no objection to the quashing of the conviction and sentencing orders.

8. The petitioner and Mr. Shiv Agarwal, Director of the respondent, are present in Court, and are identified by their respective counsels.

9. Learned counsel for the parties confirm that the settlement has been entered into voluntarily and without any coercion or undue pressure.

10. The offence under Section 138 of the NI Act is compoundable in nature. Although efforts to compound an offence under the NI Act ought ideally to be made at an early stage, there is no legal embargo on compounding the offence even after conviction².

11. In *Damodar S. Prabhu v. Sayed Babalal H.*³, the Supreme Court has emphasised that the compensatory element of proceedings under the NI Act predominates over the punitive aspect, and has accordingly laid down certain guidelines for compounding of offences under the NI Act. The relevant extract of the judgment is reproduced hereinbelow:

“4... What must be remembered is that the dishonour of a cheque can be best described as a regulatory offence that has been created to serve the

² K.M. Ibrahim v. K.P. Mohammed, (2010) 1 SCC 798.

³ (2010) 5 SCC 663.



public interest in ensuring the reliability of these instruments. The impact of this offence is usually confined to the private parties involved in commercial transactions.

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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...**

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21. With regard to the progression of litigation in cheque bouncing cases, the learned Attorney General has urged this Court to frame guidelines for a graded scheme of imposing costs on parties who unduly delay compounding of the offence. It was submitted that the requirement of deposit of the costs will act as a deterrent for delayed composition, Signature Not Verified since at present, free and easy compounding of offences at Verified any stage, however belated, gives an incentive to the drawer of the cheque to delay settling the cases for years. An application for compounding made after several years not only results in the system being burdened but the complainant is also deprived of effective justice. In view of this submission, we direct that the following guidelines be followed:

THE GUIDELINES

(i) In the circumstances, it is proposed as follows:

(a) That directions can be given that the writ of summons be suitably modified making it clear to the accused that he could make an application for compounding of the offences at the first or second hearing of the case and that if such an application is made, compounding may be allowed by the court without imposing any costs on the accused.

(b) If the accused does not make an application for compounding as aforesaid, then if an application for compounding is made before the Magistrate at a subsequent stage, compounding can be allowed subject to the condition that the accused will be required to pay 10% of the cheque amount to be deposited as a condition for compounding with the Legal Services Authority, or such authority as the court deems fit.

(c) **Similarly, if the application for compounding is made before the Sessions Court or a High Court in revision or appeal, such compounding may be allowed on the condition that the accused pays 15% of the cheque amount by way of costs.**

(d) Finally, if the application for compounding is made before the Supreme



Court, the figure would increase to 20% of the cheque amount.”

12. Recently, in *Gian Chand Garg v. Harpal Singh*⁴, the Supreme Court dealt with a situation where the High Court, in a revision petition, had upheld the conviction and sentence of the accused under Section 138 of the NI Act. Subsequently, upon settlement between the parties, an application was preferred, seeking modification of the judgment whereby the conviction had been upheld, but was dismissed by the High Court on the ground of maintainability. While setting aside the judgment of the Punjab and Haryana High Court upholding the conviction, the Supreme Court observed as under:

*“9. In B.V. Sessaiah v. State of Telangana*⁵ *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 Criminal Procedure Code, 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***

⁴ 2025 SCC OnLine SC 2317.

⁵ (2023) SCC OnLine SC 96.



the Courts below has to be set-aside.

12. Therefore, in the light of aforesaid discussion, we are of the considered view that the present appeal deserves to be allowed. Accordingly, the same stands **Allowed** and consequently the impugned order dated 27-3-2025 in CRR 2563 of 2025 is **set aside** and the order of conviction and sentence imposed on appellant is quashed.”⁶

13. Having regard to the aforesaid legal position, it is evident that the underlying object of proceedings under Section 138 of the NI Act is primarily compensatory in nature, with the punitive element being ancillary. The judgments referred to hereinabove clearly permit settlement between parties even at a post-conviction stage, subject to the satisfaction of the Court that such settlement is voluntary and *bona fide*.

14. Counsel for the petitioner had informed the Court on 20.02.2026 that payment of Rs. 1,20,00,000/- in terms of the Compromise Deed had been made to the respondent. The relevant provisions of the Compromise Deed read as follows:

“6. That in furtherance of the aforesaid settlement, the **SECOND PARTY** shall hand over the following two Demand Drafts to the Complainant:

- a. Demand Draft bearing number “508345” drawn on ICICI Bank amounting to INR. 75,00,000/- (Rupees Seventy-Five Lakhs Only); and
- b. Demand Draft bearing number 508344 drawn on ICICI Bank amounting to INR. 45,00,000/- (Rupees Forty-Five Lakhs Only).”

7. That upon receipt of the aforesaid two Demand Drafts, the **FIRST PARTY** undertakes it has settled this claim with the **SECOND PARTY** arising out of this complaint case, conviction order, or sentencing orders.

8. That the **FIRST PARTY** further undertakes that it has no objection if the Hon'ble Court is pleased to Compound/Quash the conviction order dated 22.01.2025 and the sentencing orders dated 17.11.2025 & 18.11.2025, after the said demand drafts are credited to First Party's account.

9. That the **FIRST PARTY & SECOND PARTY** undertake that the

⁶ Emphasis supplied.



present compromise deed is binding upon the parties and has been arrived at voluntarily, out of their own free will, without any pressure, coercion, threat, or undue influence from any quarter whatsoever.

10. This deed may come into effect only when the funds are credited to First Party Account. The funds are a settlement to the subject 138 NI matter only.

11. Nothing in this Deed shall affect or restrict the First Party's right to pursue any independent legal proceedings against any third party, including but not limited to matters pending against Rakesh Shanna Aditya Birla Money Ltd and others in respect of any losses suffered by the First Party.”

15. Learned counsel for the respondent states that the amount of Rs. 1,20,00,000/- has been received in terms of paragraph 6 of the Compromise Deed.

16. In view of the aforesaid, the proceedings are quashed in terms of paragraph 8 of the Compromise Deed, subject to paragraph 11 thereof, which makes it clear that the respondent's right to pursue independent legal proceedings against third parties shall remain reserved. Needless to say, however, this Court has made an observation with regard to any such proceedings.

17. The petition is allowed and conviction order dated 22.01.2025 and the sentencing orders dated 17.11.2025 and 18.11.2025 passed by the Metropolitan Magistrate, East District, Karkardooma Courts, Delhi, in CT Case No. 53439/2016, are hereby quashed.

18. The parties shall remain bound by the terms of the settlement.

19. The petition, alongwith the pending applications, accordingly stand disposed of.

PRATEEK JALAN, J

MARCH 24, 2026/‘Bhupi/JM’/