SUPREME COURT OF INDIA

Indus Airways Pvt. Ltd. & Ors. v. Magnum Aviation Pvt. Ltd. & Anr.

Citations: (2014) 12 SCC 539 : (2014) 5 SCC (Civ) 138

Coram: Hon'ble Mr. Justice Chandramauli Kumar Prasad & Hon'ble Mr. Justice Pinaki Chandra Ghose | **Date of Decision:** April 7, 2014

SUBJECT: Negotiable Instruments Act, 1881 - Section 138 - Advance Payment for Cancelled Executory Contract - Legally Enforceable Debt

OFFICIAL JUDGMENT SUMMARY & RATIO DECIDENDI:

Held: For an offence under Section 138 to be attracted, the cheque must have been issued for the discharge, in whole or in part, of any debt or other liability existing on the date the cheque is issued or presented. If a cheque is issued as advance payment for purchase of goods, but before the delivery of goods or execution of the contract the purchase order is cancelled, no legally enforceable debt or liability exists between the parties. In such circumstances, dishonour of the advance cheque does not constitute an offence under Section 138. Section 138 criminal provisions cannot be converted into an engine for recovering unliquidated civil contract damages.
