

ABC 2025 (II) 768 SC

ACQUITTAL & BAIL CASES

SUPREME COURT OF INDIA

(B.V. Nagarathna & R. Mahadevan, JJ.)

Criminal Appeal No. of 2025

(Arising Out Of Special Leave Petition (Crl.) No.3415 of 2024)

Decided On 15 September 2025

PARAMJEET SINGH

- Appellant(s).

Versus

STATE OF HIMACHAL PRADESH & OTHERS

- Respondent(s).

Law Covered:- (A) Indian Penal Code, 1860 - S. 420 r/w S. 120B (Bharatiya Nyaya Sanhita, 2023 - S. 318(4) r/w S. 61(2)) - Cheating - Essential Ingredients - Dishonest Intention at Inception - Absence of - Criminal Proceedings Quashed - Commercial transaction for sale of machinery - Advance cheque dishonoured on "stop payment" - Seller filed S. 138 NI Act complaint - Buyer lodged counter-FIR u/s 420 IPC after five years alleging wrong specifications and non-replacement - Held, mere breach of contractual terms or failure to keep a promise subsequently does not constitute cheating unless fraudulent or dishonest intention exists at the very inception of the transaction - No allegation of deception at the time of entering the agreement - Vague assertions of loss of Rs. 50 lakhs insufficient - Delay of nearly five years unexplained and raises serious doubt on bona fides - Dispute purely civil in nature - Continuation of criminal proceedings amounts to abuse of process - FIR, chargesheet and all consequential proceedings quashed. (Paras 8-9, 13-22)

(B) Code of Criminal Procedure, 1973 - S. 482 (Bharatiya Nagarik Suraksha Sanhita, 2023 - S. 528) - Inherent Jurisdiction - Quashing of FIR - When Attracted - Abuse of Process - Mala fide & Vindictive Proceedings - Held, criminal law cannot be allowed as an instrument of harassment or private vendetta - Every breach of contract does not give rise to criminal prosecution - Categories (1), (3), (5) and (7) of State of Haryana v. Bhajan Lal squarely attracted - Proceedings manifestly attended with mala fides and instituted with ulterior motive - High Court erred in refusing to quash. (Paras 17-22)

Facts:- A 2017 sale-purchase agreement for a stone-crushing machine turned sour. The buyer stopped payment of the advance cheque and faced a S. 138 NI Act case. Five years later he filed a counter-FIR u/s 420/120B IPC alleging delivery of under-spec machinery. Supreme Court

a held that no ingredient of cheating was made out because dishonest intention at the inception was wholly absent, the dispute was civil/commercial in nature, and the inordinate delay cast doubt on the complainant's bona fides. Relying on *Inder Mohan Goswami*, *Vesa Holdings*, and *Bhajan Lal*, the entire criminal proceeding was quashed as an abuse of process.

b **Law of relief:-** Mere breach of contractual terms or failure to keep a promise subsequently does not constitute cheating unless fraudulent or dishonest intention exists at the very inception of the transaction.

Counsel:-

c For Appellant(s): Himanshu Sharma.

For Respondent(s): Bankey Bihari, Varinder Kumar Sharma.

Cases Referred:-

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1. *Inder Mohan Goswami vs. State of Uttaranchal*: (2007) 12 SCC 1 (Para 14)
 2. *Vesa Holdings P. Ltd. vs. State of Kerala*: (2015) 8 SCC 293 (Para 18)
 3. *State of Haryana vs. Bhajan Lal*: 1992 Suppl (1) SCC 335 (Para 20)
 4. *Vishal Noble Singh vs. State of Uttar Pradesh*: 2024 SCC OnLine SC 1680 (Para 22)

e **JUDGMENT**

Nagarathna, J.:-

f 1. Leave granted.

g 2. This appeal arises out of order dated 02.01.2024 passed by the Himachal Pradesh High Court in Cr.MMO No.288/2023 dismissing the application filed under Section 482 of Code of Criminal Procedure, 1973 (hereinafter 'CrPC' for short) preferred by the accused-appellant, Paramjeet Singh and refusing to quash the proceedings arising out of FIR No.11/2023 dated 14.02.2023 that was filed by Kushal K. Rana, the complainant/respondent No.3-proprietor of M/s Soma Stone Crusher.

h 3. Writ Petition (Criminal) No.217/2025 has been preferred by accused-petitioner, Sarabjit Singh, being aggrieved by the chargesheet submitted on 27.07.2023 arising out of the very same FIR No.11/2023 before the Court of Chief Judicial Magistrate, Jaisinghpur, Kangra District, Himachal Pradesh wherein both Paramjeet Singh and Sarabjit Singh were arraigned as accused and charged under Section 420 read with Section 120B of the Indian Penal Code, 1860 (hereinafter, "IPC" for short). In the said Writ Petition, the petitioner has prayed for

quashing of FIR No.11/2023 and all the subsequent proceedings emanating from it.

4. Since both the appeal and writ petition arise from the same facts and circumstances, they have been heard together and are being disposed of by this common judgment. The appellant and the writ petitioner shall henceforth be referred to as the 'appellants'.

5. Briefly stated, the facts of the case are that the appellants are brothers running business firms dealing in stone crushing. Appellant Paramjeet Singh runs a proprietorship M/s Sardara Singh & Sons having GST No.:03AYQPS7151J3ZV. Petitioner Sarabjit Singh runs a proprietorship M/s Saini Engineering Works having GST No.:03BVHPS8462D1ZG.

6. On 12.12.2017, a sale and purchase agreement was entered into by M/s Soma Stone Crusher with M/s Saini Engineering Works for the purchase of a 20X40 'sand ruula machine' and conveyor and structures for a consideration of Rs.9,12,912/-. In pursuance of the said agreement, a cheque bearing No.024210 dated 13.01.2018 for an amount of Rs.5,00,000/- was drawn by M/s Soma Stone Crusher in favour of M/s Saini Engineering Works at Punjab National Bank, Jalsinghpur, Kangra, Himachal Pradesh.

7. Upon presentation of the said cheque for encashment, the same was returned by the bank with a remark: 'Stop Payment'. Aggrieved by the same, M/s Saini Engineering Works, through Special Power of Attorney Paramjeet Singh (appellant herein), filed a complaint in April, 2018 under Section 138 of Negotiable Instruments Act, 1881, ("the Act", for short) being NACT/306/2018 against M/s Soma Stone Crusher and the complainant/respondent No.3.

8. Thereafter, after five years from the sale-purchase agreement dated 12.12.2017, an FIR No.11 dated 14.02.2023 was lodged at Police Station Lambagaon under Section 420 IPC at the instance of the complainant/respondent No.3 against the appellant. The allegations in the said FIR can be crystallized as under:

i. Upon assurances of the appellant-accused Paramjeet Singh, a ruula body 20X40 of approximate 14 tons was purchased from M/s Saini Engineering Works and consequently an advance payment of Rs.5,00,000/- was made through cheque bearing No.024210.

ii. It was assured by the appellant that in case the said ruula set fitting was not found as per the above said specification, the same shall be replaced by him.

a iii. It was also agreed by him that the said cheque of Rs.5,00,000/- shall be presented only after complete satisfaction of the complainant/respondent No.3 that the said ruula set fitting was as per the specifications as agreed upon.

b iv. It was found that the weight of the said ruula set fitting was only 12 tons instead of the promised 14 tons and the output of the same was only 500 feet per hour instead of 1000 ft. to 1200 ft. per hour.

c v. Due to the delivery of a product with wrong specifications and failure to replace the same by the appellant, the complainant/respondent No.3 has suffered a loss of Rs. 50 lakhs and hence liable for the offence of breach of trust.

d 9. Upon completion of the investigation with respect to the FIR, a final police report was submitted before the court of Chief Judicial Magistrate, Jaisinghpur charging the appellants of offences under Section 420 read with Section 120B IPC. Thereafter, Paramjeet Singh preferred a petition before the High Court under Section 482 of CrPC as Cr. MMO No.288/2013 praying for the relief of quashing of all the proceedings arising out of FIR No. 11/2023. The High Court by the impugned order dated 02.01.2024 dismissed the said application.

e 10. Hence, the present appeal and the writ petition.

11. Heard the learned counsel for the appellants and learned counsel for the respondent-State as well as respondent-complainants. We have perused the material on record.

f 12. We have given our thorough consideration to the arguments advanced at the bar and the material on record.

g 13. The contents of the FIR as well as the chargesheet would have to be read in light of the ingredients of Section 420 IPC and the law settled by this Court through various judicial dicta. On perusal of FIR No.11 dated 14.02.2023 and the subsequent proceedings emanating from it, it is noted that the appellants are accused of offences under Section 420 and Section 120B IPC. For ease of reference, the aforesaid Sections are extracted as under:

h **“420. Cheating and dishonestly inducing delivery of property.-** Whoever cheats and thereby dishonestly induces the person deceived to deliver any property to any person, or to make, alter or destroy the whole or any part of a valuable security, or anything which is signed or sealed, and which is capable of being converted into a valuable security, shall be punished with imprisonment of

either description for a term which may extend to seven years, and shall also be liable to fine.

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120B. Punishment of criminal conspiracy.- (1) Whoever is a party to a criminal conspiracy to commit an offence punishable with death, imprisonment for life or rigorous imprisonment for a term of two years or upwards, shall, where no express provision is made in this Code for the punishment of such conspiracy, be punished in the same manner as if he had abetted such offence.

(2) Whoever is a party to a criminal conspiracy other than a criminal conspiracy to commit an offence punishable as aforesaid shall be punished with imprisonment of either description for a term not exceeding six months, or with fine or with both."

14. In *Inder Mohan Goswami vs. State of Uttaranchal*, (2007) 12 SCC 1 while dealing with Section 420 IPC, this Court observed thus:

"42. On a reading of the aforesaid section, it is manifest that in the definition there are two separate classes of acts which the person deceived may be induced to do. In the first class of acts he may be induced fraudulently or dishonestly to deliver property to any person. The second class of acts is the doing or omitting to do anything which the person deceived would not do or omit to do if he were not so deceived. In the first class of cases, the inducement must be fraudulent or dishonest. In the second class of acts, the inducing must be intentional but need not be fraudulent or dishonest. Therefore, it is the intention which is the gist of the offence. To hold a person guilty of cheating it is necessary to show that he had a fraudulent or dishonest intention at the time of making the promise. From his mere failure to subsequently keep a promise, one cannot presume that he all along had a culpable intention to break the promise from the beginning."

15. In light of facts and circumstances of the present case, we find that the complainant/respondent No.3 has failed to make out a case that satisfies the basic ingredients of the offence under Section 420 IPC. We fail to understand as to how the allegations against the appellants herein could be brought within the scope and ambit of the aforesaid Section 420 IPC. On a bare perusal of the FIR as well as the charge-sheet, we do not find that the offence of cheating as defined under Section 420 IPC is made out at all and we do not find that there

is any cheating and dishonest inducement to deliver any property of a valuable security involved in the instant case.

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16. It is settled law that for establishing the offence of cheating, the complainant/respondent No.3 was required to show that the appellants had a fraudulent or dishonest intention at the time of making a promise or representation of buying the said 'ruula set fitting'. Such a culpable intention when the promise was made cannot be presumed but has to be supported with cogent facts. In the facts of the present case, there is a clear absence of dishonest and fraudulent intention on the part of the appellants as regards the sale and purchase agreement. We must hasten to add that there is no allegation in the First Information Report or the chargesheet indicating either expressly or impliedly any intentional deception or fraudulent/dishonest intention on the part of the appellants right from the time of making the promise or misrepresentation. Nothing has been said on what the misrepresentations were and how the appellants intentionally deceived the complainant/ respondent No.3. Mere vague allegations by the complainant/ respondent No.3 that the appellants failed to provide a product of a particular specification and failed to replace the faulty machines do not satisfy the test of dishonest inducement to deliver a property or part with a valuable security as enshrined under Section 420 IPC.

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17. At this point, we must hasten to add that the impugned FIR was filed after a delay of nearly five years. The learned counsel for the complainant/respondent No.3 has not been able to state before us the reason for the delay and this further raises suspicion about the bona fides of the complainant. The delay in lodging of the FIR, coupled with the vague allegations do not inspire the confidence of this Court to allow the criminal proceedings to continue against the appellants. The complainant had an alternative remedy of filing a civil suit claiming damages for the alleged violation of his contractual rights but a route through criminal proceedings, when no ingredient of offence is made out, cannot be permitted. Criminal law ought not become a platform for initiation of vindictive proceedings to settle personal scores and vendettas. The appellants, in our view, could not be attributed any mens rea and therefore, the allegations levelled by the prosecution against the appellants are unsustainable.

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18. This Court, in the case of *Vesa Holdings P. Ltd. vs. State of Kerala*, (2015) 8 SCC 293, had observed and held that every breach of contract would not give rise to an offence of cheating but the cases of

breach of contract would amount to cheating only where there was any deception played at the very inception. It was further observed that for the purpose of constituting an offence of cheating, the complainant is required to show that the accused had a fraudulent or dishonest intention at the time of making a promise or representation. It was further observed that even in a case where allegations are made in regard to failure on the part of the accused to keep his promise, in the absence of a culpable intention at the time of making initial promise being absent, no offence under Section 420 IPC can be said to have been made out and that the real test is, whether, the allegations in the complaint disclose the criminal offence of cheating.

19. Furthermore, in the case of Inder Mohan Goswami, it was held by this Court that the Court must ensure that criminal prosecution is not used as an instrument of harassment or for seeking private vendetta or with an ulterior motive to pressurise the accused. It was further held by this Court that it is neither possible nor desirable to lay down an inflexible rule that would govern the exercise of inherent jurisdiction. In view of the above and for the reasons stated above, we are of the firm opinion that to continue the criminal proceedings against the appellants herein would cause undue harassment to them because, as observed hereinabove, no prima facie case for the offence under Section 420 IPC is made out.

20. In this regard, it would be apposite to rely on the judgment in the case of State of Haryana vs. Bhajan Lal, 1992 Suppl (1) SCC 335 with particular reference to paragraph 102 therein, where this Court observed:

“102. In the backdrop of the interpretation of the various relevant provisions of the Code under Chapter XIV and of the principles of law enunciated by this Court in a series of decisions relating to the exercise of the extraordinary power Under Article 226 or the inherent powers Under Section 482 of the Code which we have extracted and reproduced above, we give the following categories of cases by way of illustration wherein such power could be exercised either to prevent abuse of the process of any court or otherwise to secure the ends of justice, though it may not be possible to lay down any precise, clearly defined and sufficiently channelised and inflexible guidelines or rigid formulae and to give an exhaustive list of myriad kinds of cases wherein such power should be exercised.

a (1) Where the allegations made in the first information report or the complaint, even if they are taken at their face value and accepted in their entirety do not prima facie constitute any offence or make out a case against the Accused.

b (2) Where the allegations in the first information report and other materials, if any, accompanying the FIR do not disclose a cognizable offence, justifying an investigation by police officers Under Section 156(1) of the Code except under an order of a Magistrate within the purview of Section 155(2) of the Code.

c (3) Where the uncontroverted allegations made in the FIR or complaint and the evidence collected in support of the same do not disclose the commission of any offence and make out a case against the Accused.

d (4) Where, the allegations in the FIR do not constitute a cognizable offence but constitute only a non-cognizable offence, no investigation is permitted by a police officer without an order of a Magistrate as contemplated Under Section 155(2) of the Code.

e (5) Where the allegations made in the FIR or complaint are so absurd and inherently improbable on the basis of which no prudent person can ever reach a just conclusion that there is sufficient ground for proceeding against the Accused.

f (6) Where there is an express legal bar engrafted in any of the provisions of the Code or the concerned Act (under which a criminal proceeding is instituted) to the institution and continuance of the proceedings and/or where there is a specific provision in the Code or the concerned Act, providing efficacious redress for the grievance of the aggrieved party.

g (7) Where a criminal proceeding is manifestly attended with mala fide and/or where the proceeding is maliciously instituted with an ulterior motive for wreaking vengeance on the Accused and with a view to spite him due to private and personal grudge."

h 21. On a careful consideration of the aforementioned judicial dictum, we find that none of the offences alleged against the appellants herein is made out. In fact, we find that the allegations of criminal intent and other allegations against the appellants herein have been made with a mala fide intent and therefore, the judgment of this Court in the case of Bhajan Lal and particularly subparagraphs 1, 3, 5 and 7 of paragraph 102, extracted above, squarely

apply to the facts of this case. It is neither expedient nor in the interest of justice to permit the present prosecution to continue.

22. At this juncture, we find it apposite to mention the observations of this Court in Vishal Noble Singh vs. State of Uttar Pradesh, 2024 SCC OnLine SC 1680 wherein it was observed that in recent years, the machinery of criminal justice is being misused by certain persons for their vested interests and for achieving their oblique motives and agenda. Courts have therefore to be vigilant against such tendencies and ensure that acts of omission and commission having an adverse impact on the fabric of our society must be nipped in the bud. We say so for the reason that while the complainant has made allegations against the appellants herein and a charge-sheet has also been filed, he has failed to justify the same before this Court. Such actions would create significant divisions and distrust among people, while also placing an unnecessary strain on the judicial system, particularly the criminal courts.

23. In the aforementioned circumstances, the impugned order of the High Court is set aside and consequently, the FIR No.11/2023 dated 14.02.2023 at Police Station Lambagaon, the chargesheet dated 27.07.2023 and all consequent proceedings initiated pursuant thereto stand quashed.

24. The appeal and the writ petition are allowed in the aforesaid terms.

Result:- Appeal allowed and Writ Petition allowed. Impugned order set aside. FIR, chargesheet and all consequential proceedings quashed.

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