IN THE HIGH COURT OF HIMACHAL PRADESH, SHIMLA

Cr. MMO No. 686 of 2025
Reserved on: 18.09.2026
Date of Decision: 30.09.2026

Saurav Banerjee & others **.... Petitioners**

Versus

State of H.P. & another **.... Respondents**

Coram

Hon'ble Mr Justice Rakesh Kainthla, Judge.

Whether approved for reporting? No.

For the petitioners	:	**Mr Sartej Narula, Senior Advocate, with M/s Sakshi Sharma, Shalini and Nandini, Advocates.**
For respondents	:	**Mr Jitender Sharma, Additional Advocate General, for respondents no.1 /State.** **Mr Virender Thakur, Advocate, for respondent no.2.**

Rakesh Kainthla, Judge

The petitioners have filed the present petition for quashing the FIR. No. 58 dated 08.06.2025, registered at Police Station Tissa, District Chamba, for the commission of offences punishable under Sections 420 and 506, read with Section 120B of the Indian Penal Code (IPC) and consequential proceedings arising out of it.

2. Briefly stated, the facts giving rise to the present petition are that the informant made a complaint to the police

asserting that an 8-megawatt (MW) project was allotted to Chamba Hydel Power Project Pvt. Ltd. in Tehsil Churah, District Chamba, H.P. The company approached the informant for the civil work, and Saurav Banerjee invited the informant to carry out the proposed work on behalf of the company. He assured that the company was financially sound and the payment would be made from time to time. The documents of the company were shown to the informant. The work was allotted to the informant vide letter dated 09.10.2014, duly signed by Saurav Banerjee. The informant carried out the work, which was duly supervised by the engineer of the Company. The informant was entitled to recover ₹1,44,41,288.12 as the balance amount. The informant wrote various letters to Saurav Banerjee and the company; however, no payment was made. The company abandoned the project. Saurav Banerjee, assured the informant that work would be restarted soon and the payment would also be cleared. The informant's machinery was deployed on the spot, which caused a loss of ₹78,00,000/-. The informant represented the matter before the Deputy Commissioner, Chamba, H.P. on 18.09.2019, who sought the intervention of the Director Energy. The informant demanded money from the company and its officials, and the

officials threatened to kill him and to allot the work to some other person. Hence, it was prayed that action be taken against the company and the officials.

3. The police registered the F.I.R. and commenced the investigation.

4. Being aggrieved by the registration of the FIR, the petitioners have filed the present petition asserting that Chamba Hydel Power Project was incorporated on 17.12.2011. A tripartite agreement was executed between the State of HP through the Directorate of Energy, M/s Trident Power System and M/s Chamba Hydel Power Project on 16.03.2012. A detailed implementation agreement was executed on the same day. The informant, in the capacity of Director of Batt Hydro Power and Construction Pvt. Ltd., visited the office of the Company in 2013 and submitted the quotation for carrying out the construction work. The project was started on 25.09.2014. The company had made payments to the informant for various works executed by him; however, the informant kept raising unsubstantiated and unreasonable demands on one pretext or another. The project was damaged due to massive floods in the year 2016, and the work had

to be abandoned. The project was terminated on 23.07.2019. Saurav Banerjee requested the department to withdraw the termination order. The informant made a representation to the Secretary (Power) not to renew the project and blacklist the Company. He filed a civil writ before this Court seeking the termination of the project. The averments in the FIR do not show any criminal intent. Substantial payments were made by the Company to the informant from time to time, and the informant is seeking the payment of the remaining amount. The F.I.R is silent regarding any dishonest intention. The FIR was lodged in violation of the judgment of the Hon'ble Supreme Court in ***Lalita Kumari vs. State of U.P. (2014) 2 SCC 1.*** The dispute between the parties is civil in nature regarding the payment of the sum due under a contract, which can be enforced before the Civil Court. The FIR was lodged with mala fide intention after much delay. Therefore, it was prayed that the present petition be allowed and the FIR and consequential proceedings arising out of it be quashed.

5. The petition is opposed by filing a reply by respondent no. 1, reproducing the contents of the FIR. It was asserted that allegations in the FIR, *prima facie,* make out a case against the

petitioner. The matter is at an initial stage and investigation is being carried out. Four other persons had also complained about the agreement with the company for the civil work and non-payment to them. The contents of the FIR disclosed the specific allegations related to cheating, criminal intimidation, and criminal conspiracy. Hence, it was prayed that the present petition be dismissed.

6. No reply was filed on behalf of the respondent No. 2 despite repeated opportunities.

7. I have heard Mr Sartej Narula, learned Senior Advocate, with M/s Sakshi Sharma, Shalini, and Nandini, learned counsel for the petitioners, Mr Jitender Sharma, learned Additional Advocate General, for respondent no.1/State and Mr Virender Thakur, learned counsel for respondent no.2.

8. Mr Sartej Narula, learned Senior Advocate for the petitioner, submitted that the dispute between the parties is purely civil in nature, related to the payment of the money to the informant. The FIR specifically mentions that the amount is due as balance payment, clearly showing that the payment was being made from time to time. There is no averment in the FIR that the

intention of the company and its officials was dishonest at the time of entering into the agreement. The Work stalled because of the flood caused at the work site, which is a circumstance beyond the control of any person. The petitioner, Sarurav Banerjee, tried his best to get the termination revoked, but the informant made a representation to the Government not to do so. He even filed a writ petition before this Court, seeking a direction that the contract of the company be not renewed. These circumstances demonstrate that the company had serious financial difficulties in making the payment. The criminal proceedings cannot be used to enforce the civil rights; therefore, he prayed that the present petition be allowed and the FIR and consequential proceedings arising out of it be quashed. He relied upon the following judgments in support of his submissions: -

1. Alpic Finance Ltd. vs. P. Sadasivan 2001 (3) SCC 513;
2. Ajay Mitra vs. State of M.P. & Ors. 2003 (3) SCC 11;
3. Inder Mohan Goswami & Anr. vs State of Uttaranchal & Ors. 2007(12) SCC 1;
4 Vinod Natesan vs. State of Kerala & Ors. 2019 (2) SCC 401;

5. A.M. Mohan vs. The State represented by SHO Anr. 2024 SCC Online SC 339;
6. Rikhab Birani & Anr. State of Uttar Pradesh & Anr.
7. State of Haryana vs. Bhajan Lal 1992 Supp. (1) SCC 335;
8. Anil Mahajan vs. Bhor Industries 2005 (10) SCC 228;
9. G.Sagar vs. State of U.P. 2000 (2) SCC 636;
10. Lalita Kumari vs. Govt. of UP. 2014(2) SCC
11. M.S. Niharika Infrastructure vs. State, 2021 SCC Online SC 315;
12. Sarabjeet Kaur vs. State of Punjab, 2023 SCC OnLine SC 210
13. Naresh Kumar vs. State of Karnataka, 2024 SCC Online SC 268

9. Mr Jitender Sharma, learned Additional Advocate General, for the respondent No. 1-State, submitted that the allegations in the FIR disclose that the company and its officials had not made the payment to the informant despite the initial promise made to him that the payment would be made from time to time. The informant was threatened when he had demanded payment for the work carried out by him, which is purely a criminal matter. The matter is at the initial stage, and the police

should be permitted to carry out the investigation. Therefore, he prayed that the present petition be dismissed.

10. Mr Virender Thakur, learned counsel for the respondent no.2 submitted that the allegations in the FIR show the commission of a cognisable offence. The company and the officials had cheated the informant by making a false representation. The petitioners have several registered Companies. They are habitual offenders, and many F.I.Rs have been registered against them. The matter is at an initial stage, and the availability of the civil remedy is no ground for quashing the F.I.R. The jurisdiction under Section 528 of BNSS is extraordinary and should be sparingly exercised. Therefore, he prayed that the present petition be dismissed. He has also filed written arguments, which have been perused by me.

11. I have given considerable thought to the submissions made at bar and have gone through the records carefully.

12. The law relating to quashing of FIR was explained by the Hon'ble Supreme Court in ***B.N. John v. State of U.P., 2025 SCC OnLine SC 7*** as under: -

> "**7.** As far as the quashing of criminal cases is concerned, it is now more or less well settled as regards the principles to

be applied by the court. In this regard, one may refer to the decision of this Court in ***State of Haryana v. Ch. Bhajan Lal, 1992 Supp (1) SCC 335,*** wherein this Court has summarised some of the principles under which FIR/complaints/criminal cases could be quashed in the following words:

> **"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.
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> (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.*
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> (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.
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> (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.

(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.*

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

(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.*

(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 a private and personal grudge." *(emphasis added)*

8. Of the aforesaid criteria, clause no. (1), (4), and (6) would be of relevance to us in this case.

In clause (1), it has been mentioned that 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, then the FIR or the complaint can be quashed.

As per clause (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 dated by the Magistrate as contemplated under Section 155 (2) of the CrPC, and in such a situation, the FIR can be quashed.

Similarly, as provided under clause (6), if there is an express legal bar engrafted in any of the provisions of the CrPC or the concerned Act under which the criminal proceedings are instituted, such proceedings can be quashed."

13. This position was reiterated in ***Ajay Malik v. State of Uttarakhand, 2025 SCC OnLine SC 185,*** wherein it was observed:

"**8.** It is well established that a High Court, in exercising its extraordinary powers under Section 482 of the CrPC, may issue orders to prevent the abuse of court processes or to secure the ends of justice. These inherent powers are neither controlled nor limited by any other statutory provision. However, given the broad and profound nature of this authority, the High Court must exercise it sparingly. The conditions for invoking such powers are embedded within Section 482 of the CrPC itself, allowing the High Court to act only in cases of clear abuse of process or where intervention is essential to uphold the ends of justice.

9. It is in this backdrop that this Court, over the course of several decades, has laid down the principles and guidelines that High Courts must follow before quashing criminal proceedings at the threshold, thereby pre-empting the Prosecution from building its case before the Trial Court. The grounds for quashing, *inter alia*, contemplate the following situations: (***i***) the criminal complaint has been filed with *mala fides*; (***ii***) the FIR represents an abuse of the legal process; (***iii***) no *prima facie* offence is made out; (***iv***) the dispute is civil in nature; (***v***) the complaint contains vague and omnibus allegations;

and (*vi*) the parties are willing to settle and compound the dispute amicably (***State of Haryana v. Bhajan Lal, 1992 Supp (1) SCC 335***)

14. Similar view was taken in ***Bhajan Lal*** (supra), ***A.M. Mohan*** (Supra), G. ***Sagar*** (supra) and ***Niharika Infrastructure*** (supra).

15. The present petition is to be decided as per the parameters laid down by the Hon'ble Supreme Court.

16. The FIR was registered for the commission of an offence punishable under Section 420 of the IPC. The ingredients of cheating were explained by the Hon'ble Supreme Court in ***S.W. Palanitkar v. State of Bihar, (2002) 1 SCC 241,*** as under:

> "**10.** The ingredients of an offence of cheating are: (*i*) there should be fraudulent or dishonest inducement of a person by deceiving him, (*ii*)(*a*) the person so deceived should be induced to deliver any property to any person or to consent that any person shall retain any property; or (*b*) the person so deceived should be intentionally induced to do or omit to do anything which he would not do or omit if he were not so deceived; and (*iii*) in cases covered by (*ii*)(*b*), the act of omission should be one which causes or is likely to cause damage or harm to the person induced in body, mind, reputation or property.
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> **11.** One of us (D.P. Mohapatra, J.), speaking for the Bench, in ***Hridaya Ranjan Prasad Verma* v. *State of Bihar [(2000) 4 SCC 168: 2000 SCC (Cri) 786***] on the facts of that case, has expressed thus: (SCC p. 177, para 15)

> "*15.* In determining the question, it has to be kept in mind that the distinction between mere breach of contract and the offence of cheating is a fine one. It depends upon the intention of the accused at the time of inducement, which may be judged by his subsequent conduct, but for this, subsequent conduct is not the sole test. Mere breach of contract cannot give rise to criminal prosecution for cheating unless fraudulent or dishonest intention is shown right at the beginning of the transaction, that is, the time when the offence is said to have been committed. 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 keep up a promise, subsequently, such a culpable intention right at the beginning, that is, when he made the promise, cannot be presumed.*" (emphasis supplied)

12. Finding that the ingredients of the offence of cheating and its allied offences had not been made out, this Court interfered with the order of the High Court and quashed the criminal proceedings.

13. In ***G.V. Rao v. L.H.V. Prasad [(2000) 3 SCC 693: 2000 SCC (Cri) 733],*** this Court in para 7 has stated thus: (SCC pp. 696-97)

> "7. As mentioned above, Section 415 has two parts. While in the first part, the person must 'dishonestly' or 'fraudulently' induce the complainant to deliver any property; in the second part, the person should intentionally induce the complainant to do or omit to do a thing. That is to say, in the first part, inducement must be dishonest or fraudulent. In the second part, the inducement should be intentional. As observed by this Court in ***Jaswantrai Manilal Akhaney v. State of Bombay [AIR 1956 SC 575: 1956 Cri***

> ***LJ 1116]***, a guilty intention is an essential ingredient of the offence of cheating. In order, therefore, to secure the conviction of a person for the offence of cheating, '*mens rea*' on the part of that person must be established. It was also observed in ***Mahadeo Prasad v. State of W.B. [AIR 1954 SC 724: 1954 Cri LJ 1806]*** *that in order to constitute the offence of cheating, the intention to deceive should be in existence at the time when the inducement was offered*." (emphasis supplied)

14. In ***Trisuns Chemical Industry v. Rajesh Agarwal [(1999) 8 SCC 686: 2000 SCC (Cri) 47]*** dealing with the effect of existence of arbitration clause in the agreement on criminal prosecution on the ground that civil proceedings are also maintainable, this Court has held that quashing of FIR or a complaint exercising power under Section 482 CrPC should be limited to a very extreme exception; merely because an act has a civil profile is not enough to stop action on the criminal side. It is further held that a provision made in the agreement for referring the disputes to arbitration is not an effective substitute for a criminal prosecution when the disputed act constitutes a criminal offence.

17. A similar view was taken in ***G.V. Rao v. L.H.V. Prasad***, ***(2000) 3 SCC 693***, as under:

> "**4.** Cheating" is defined in Section 415 of the Penal Code, 1860, which provides as under:
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> > "415. *Cheating.*—Whoever, by deceiving any person, fraudulently or dishonestly induces the person so deceived to deliver any property to any person, or to consent that any person shall retain any property, or intentionally induces the person so deceived to do or omit to do anything which he would not do or omit if he were not so deceived, and which act or omission

causes or is likely to cause damage or harm to that person in body, mind, reputation or property, is said to 'cheat'.

Explanation.—A dishonest concealment of facts is a deception within the meaning of this section."

5. The High Court quashed the proceedings principally on the ground that Chapter XVII of the Penal Code, 1860, deals with the offences against property and, therefore, Section 415 must also necessarily relate to the property which, in the instant case, is not involved and, consequently, the FIR was liable to be quashed. The broad proposition on which the High Court proceeded is not correct. While the first part of the definition relates to property, the second part does not necessarily relate to property. The second part is reproduced below:

"415. ... intentionally induces the person so deceived to do or omit to do anything which he would not do or omit if he were not so deceived, and which act or omission causes or is likely to cause damage or harm to that person in body, mind, reputation or property, is said to 'cheat'."

6. This part speaks of intentional deception which must be intended not only to induce the person deceived to do or omit to do something but also to cause damage or harm to that person in body, mind, reputation or property. The intentional deception presupposes the existence of a dominant motive of the person making the inducement. Such inducement should have led the person deceived or induced to do or omit to do anything which he would not have done or omitted to do if he were not deceived. The further requirement is that such an act or omission should have caused damage or harm to body, mind, reputation or property.

7. As mentioned above, Section 415 has two parts. In the first part, the person must "dishonestly" or "fraudulently" induce the complainant to deliver any

property; in the second part, the person should intentionally induce the complainant to do or omit to do a thing. That is to say, in the first part, inducement must be dishonest or fraudulent. In the second part, the inducement should be intentional. As observed by this Court in ***Jaswantrai Manilal Akhaney v. State of Bombay [AIR 1956 SC 575: 1956 Cri LJ 1116: 1956 SCR 483],*** a guilty intention is an essential ingredient of the offence of cheating. In order, therefore, to secure the conviction of a person for the offence of cheating, "*mens rea*" on the part of that person must be established. It was also observed in ***Mahadeo Prasad v. State of W.B. [AIR 1954 SC 724: 1954 Cri LJ 1806]*** that in order to constitute the offence of cheating, the intention to deceive should be in existence at the time when the inducement was offered.

8. Thus, so far as the second part of Section 415 is concerned, "property", at no stage, is involved. Here, it is the doing of an act or omission to do an act by the complainant, as a result of intentional inducement by the accused, which is material. Such inducement should result in the doing of an act or omission to do an act as a result of which the person concerned should have suffered or was likely to suffer damage or harm to body, mind, reputation or property. In an old decision of the Allahabad High Court in ***Empress v. Sheoram [(1882) 2 AWN 237]***, it was held by Mahmood, J.:

> "That to palm off a young woman as belonging to a caste different to the one to which she really belongs, with the object of obtaining money, amounts to the offence of cheating by personation as defined in Section 416 of the Penal Code, 1860, which must be read in the light of the preceding Section 415."

18. Similar is the judgment in ***V.Y. Jose v. State of Gujarat*****,** ***(2009) 3 SCC 78, wherein*** it was observed: -

> "**14.** An offence of cheating cannot be said to have been made out unless the following ingredients are satisfied:
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> (*i*) deception of a person either by making a false or misleading representation or by other action or omission;
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> (*ii*) fraudulently or dishonestly inducing any person to deliver any property, or to consent that any person shall retain any property and finally intentionally inducing that person to do or omit to do anything which he would not do or omit.
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> For the purpose of constituting an offence of cheating, the complainant is required to show that the accused had fraudulent or dishonest intentions at the time of making a promise or representation. 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 the initial promise being absent, no offence under Section 420 of the Penal Code can be said to have been made out."

19. This position was reiterated in ***Raju Krishna Shedbalkar v. State of Karnataka, 2024 SCC OnLine SC 200,*** wherein it was observed:

> "**7.** A perusal of the aforesaid provision shows that the offence of cheating is in two parts. The first is where a person fraudulently or dishonestly deceives another in inducing that person to deliver any property to any person, etc. The second part of the offence would be made out if somebody is deceived to do an act which causes damage or harm to that person, "in body, mind, reputation or property, " and is said to have cheated. Time and again, this Court has reiterated that in order to make out an offence under cheating, the intention to cheat or deceive should be right from the beginning. By no stretch of the imagination, this is even reflected in the complaint made by the informant.

8. In the case of ***Hridaya Ranjan Prasad Verma v. State of Bihar (2000) 4 SCC 168***, this Court held as under:

> "**15.** In determining the question, it has to be kept in mind that the distinction between mere breach of contract and the offence of cheating is a fine one. It depends upon the intention of the accused at the time of inducement, which may be judged by his subsequent conduct, but for this, subsequent conduct is not the sole test. Mere breach of contract cannot give rise to criminal prosecution for cheating unless fraudulent or dishonest intention is shown right at the beginning of the transaction, that is, the time when the offence is said to have been committed. Therefore, it is the intention that 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 keep up a promise, subsequently, such a culpable intention right at the beginning, that is, when he made the promise, cannot be presumed."*(Emphasis supplied)*

9. Further, in the case of ***Indian Oil Corporation v. NEPC India Ltd. (2006) 6 SCC 736,*** this position was reiterated in the following manner:

> 33. The High Court has held that a mere breach of contractual terms would not amount to cheating unless the fraudulent or dishonest intention is shown right at the beginning of the transaction, and in the absence of an allegation that the accused had a fraudulent or dishonest intention while making a promise, there is no "cheating". *The High Court has relied on several decisions of this Court wherein this Court has held that dishonest intent at the time of making the promise/inducement is necessary, in addition to the subsequent failure to fulfil the promise. Illustrations (f) and (g) to Section 415 make this position clear:*
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> > "(f) A intentionally deceives Z into a belief that A means to repay any money that Z may lend to him

> and thereby dishonestly induces Z to lend him money, A not intending to repay it. A cheats.
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> (g) A intentionally deceives Z into a belief that A means to deliver to Z a certain quantity of indigo plant which he does not intend to deliver, and thereby dishonestly induces Z to advance money upon the faith of such delivery, A cheats; but if A, at the time of obtaining the money, intends to deliver the indigo plant, and afterwards breaks his contract and does not deliver it, he does not cheat, but is liable only to a civil action for breach of contract."(emphasis supplied).

20. Similar are the judgments ***Ajay Mitra*** (supra), ***Vinod Natesan*** (supra), ***Alpic Kumar*** (supra), ***Rikhab Birani*** (supra), ***Anil Mahajan*** (supra), ***Sarabjeet Kaur*** (supra) and ***Naresh Kumar*** (supra).

21. The contents of the F.I.R. show that the informant had entered into an agreement to carry out the civil work with the Company. He was assured that the payment would be made to him from time to time and there would be no difficulty in the payment. He started the work. An amount of ₹1,44,41,288.12 remained payable as a balance, along with the taxes and interest. The F.I.R. does not mention that the company had dishonest intention right from the beginning. It is conspicuously silent regarding the payment made to the informant. The use of the 'balance' supports the submissions made on behalf of the

petitioners that the payment was made to the informant from time to time and the balance amount could not be paid because of multiple circumstances. The non-payment for the work executed by the informant will not amount to any cheating but will only constitute a civil dispute between the parties, for which the informant has a civil remedy, and it is impermissible to give it a colour of criminal proceedings by filing an FIR for the commission of an offence punishable under Section 420 of the IPC. It was laid down by the Hon'ble Supreme Court in ***R.K. Vijayasarathy v. Sudha Seetharam, (2019) 16 SCC 739: (2020) 2 SCC (Cri) 454: 2019 SCC OnLine SC 208*** that jurisdiction under Section 482 of CrPC is to be exercised sparingly, but where the dispute of a civil nature was being given a cloak of criminal proceedings, the High Court should not hesitate to exercise the jurisdiction. It was observed at page 749:

> **28.** The jurisdiction under Section 482 of the Code of Criminal Procedure has to be exercised with care. In the exercise of its jurisdiction, a High Court can examine whether a matter which is essentially of a civil nature has been given the cloak of a criminal offence. Where the ingredients required to constitute a criminal offence are not made out from a bare reading of the complaint, the continuation of the criminal proceeding will constitute an abuse of the process of the court.

22. It was laid down by the Hon'ble Supreme Court in ***Sarabjit Kaur v. State of Punjab, (2023) 5 SCC 360: 2023 SCC OnLine SC 210*** that a breach of contract does not give rise to a criminal liability. It was observed at page 363: -

> **13.** A breach of contract does not give rise to criminal prosecution for cheating unless fraudulent or dishonest intention is shown right at the beginning of the transaction. Merely on the allegation of failure to keep up promise will not be enough to initiate criminal proceedings....The entire idea seems to be to convert a civil dispute into a criminal one and put pressure on the appellant for return of the amount allegedly paid. The criminal courts are not meant to be used for settling scores or pressurise parties to settle civil disputes. Wherever ingredients of criminal offences are made out, criminal courts have to take cognisance.

23. It was laid down by the Hon'ble Supreme Court in ***Anukul Singh v. State of U.P., 2025 SCC OnLine SC 2060,*** that criminal proceedings cannot be used for enforcing civil rights. It was observed: -

> **17.** This Court has, in a long line of decisions, deprecated the tendency to convert civil disputes into criminal proceedings. In ***Indian Oil Corporation v. NEPC India Ltd. (2006) 6 SCC 736***, it was held that criminal law cannot be used as a tool to settle scores in commercial or contractual matters, and that such misuse amounts to abuse of process. xxxxx
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> > 10. While on this issue, it is necessary to take notice of a growing tendency in business circles to convert purely civil disputes into criminal cases. This is

> obviously on account of a prevalent impression that civil law remedies are time-consuming and do not adequately protect the interests of lenders/creditors. Such a tendency is seen in several family disputes, also leading to an irretrievable breakdown of marriages/families. There is also an impression that if a person could somehow be entangled in a criminal prosecution, there is a likelihood of imminent settlement. Any effort to settle civil disputes and claims, which do not involve any criminal offence, by applying pressure through criminal prosecution should be deprecated and discouraged."

18. Similarly, in ***Inder Mohan Goswami v. State of Uttaranchal (2007) 12 SCC 1: AIR 2008 SC 251***, it was emphasised that criminal prosecution must not be permitted as an instrument of harassment or private vendetta. In ***Ganga Dhar Kalita v. State of Assam (2015) 9 SCC 647***, this Court again reiterated that criminal complaints in respect of property disputes of a civil nature, filed solely to harass the accused or to exert pressure in civil litigation, constitute an abuse of process.

19. Most recently, in ***Shailesh Kumar Singh @ Shailesh R. Singh v. State of Uttar Pradesh 2025 INSC 869***, this Court disapproved the practice of using criminal proceedings as a substitute for civil remedies, observing that money recovery cannot be enforced through criminal prosecution where the dispute is essentially civil. The Court cautioned High Courts not to direct settlements in such matters but to apply the settled principles in Bhajan Lal. The following paragraphs are relevant in this context:

> "9. What we have been able to understand is that there is an oral agreement between the parties. The Respondent No. 4 might have parted with some money in accordance with the oral agreement, and it may be that the appellant, herein, owes a particular amount to be paid to the Respondent No. 4. However, the question is whether, prima facie, any offence of

cheating could be said to have been committed by the appellant.

10. How many times are the High Courts to be reminded that, to constitute an offence of cheating, there has to be something more than prima facie on record to indicate that the intention of the accused was to cheat the complainant right from the inception. The plain reading of the FIR does not disclose any element of criminality.

11. The entire case is squarely covered by a recent pronouncement of this Court in the case of "***Delhi Race Club (1940) Limited v. State of Uttar Pradesh", (2024) 10 SCC 690***. In the said decision, the entire law as to what constitutes cheating and criminal breach of trust, respectively, has been exhaustively explained. It appears that this very decision was relied upon by the learned counsel appearing for the petitioner before the High Court. However, instead of looking into the matter on its own merits, the High Court thought fit to direct the petitioner to go for mediation and that too by making payment of Rs. 25,00,000/- to the 4th respondent as a condition precedent. We fail to understand why the High Court should undertake such an exercise. The High Court may either allow the petition, saying that no offence is disclosed or may reject the petition, saying that no case for quashing is made out. Why should the High Court attempt to help the complainant to recover the amount due and payable by the accused? It is for the Civil Court or Commercial Court, as the case may be, to look into a suit that may be filed for recovery of money or in any other proceedings, be it under the Arbitration Act, 1996 or under the provisions of the IB Code, 2016.

12. Why the High Court was not able to understand that the entire dispute between the parties is of a civil nature.

13. We also enquired with the learned counsel appearing for the Respondent No. 4 whether his client has filed any civil suit or has initiated any other proceedings for

> recovery of the money. It appears that no civil suit has been filed for the recovery of money to date. Money cannot be recovered, more particularly, in a civil dispute between the parties by filing a First Information Report and seeking the help of the Police. This amounts to abuse of the process of law.
>
> 14. We could have said many things, but we refrain from observing anything further. If the Respondent No. 4 has to recover a particular amount, he may file a civil suit or seek any other appropriate remedy available to him in law. He cannot be permitted to take recourse to criminal proceedings.
>
> 15. We are quite disturbed by the manner in which the High Court has passed the impugned order. The High Court first directed the appellant to pay Rs. 25,00,000/- to the Respondent No. 4 and thereafter directed him to appear before the Mediation and Conciliation Centre for the purpose of settlement. That's not what is expected of a High Court to do in a Writ Petition filed under Article 226 of the Constitution or a miscellaneous application filed under Section 482 of the Criminal Procedure Code, 1973, for quashing of FIR or any other criminal proceedings. What is expected of the High Court is to look into the averments and the allegations levelled in the FIR, along with the other material on record, if any. The High Court seems to have forgotten the well-settled principles as enunciated in the decision of this Court in the "***State of Haryana v. Bhajan Lal", 1992 Supp (1) SCC 335***.

24. The averments in the F.I.R. clearly show that the same was lodged for recovery of the balance amount, which is not permissible. Hon'ble Supreme Court held in ***Kapil Agarwal vs. Sanjay Sharma, (2021) 5 SCC 524: 2021 SCC OnLine SC***

154 that criminal proceedings cannot be permitted to become a weapon of harassment. It was observed:

> "18.1. As observed and held by this Court in a catena of decisions, inherent jurisdiction under Section 482 CrPC and/or under Article 226 of the Constitution is designed to achieve a salutary purpose that criminal proceedings ought not to be permitted to degenerate into weapons of harassment. When the Court is satisfied that criminal proceedings amount to an abuse of the process of law or that it amounts to bringing pressure upon the accused, in the exercise of inherent powers, such proceedings can be quashed."

25. It was submitted that the other persons have also complained about the non-payment to them. This submission will not help the State. First, it was not the subject matter of the F.I.R. Secondly, it is not known whether a false representation was made to them at the first instance, without any intention of fulfilling the promise. The non-payment to several persons would not mean that the intention of the company was dishonest to begin with.

26. It was submitted that the petitioners had failed to pay the money to the informant, which shows that his intention was fraudulent to begin with. This submission cannot be accepted. It was laid down by the Hon'ble Supreme Court in ***Satishchandra Ratanlal Shah v. State of Gujarat*, *(2019) 9 SCC 148; (2019) 3 SCC***

(Cri) 697: 2019 SCC OnLine SC 196 that mere inability to return the amount cannot give rise to a criminal prosecution for cheating unless fraudulent or dishonest intention is shown right at the beginning of the transaction, as it is this *mens rea* which is the crux of the offence. This position was reiterated in ***Ashok Kumar Jain v. State of Gujarat, 2025 SCC OnLine SC 998,*** and it was held that the fraudulent intention cannot be inferred by mere failure to honour the contract. A similar view was taken in ***Sarabjit Kaur*** (supra) and ***Rikhan Birani*** (supra).

27. It was submitted on behalf of the informant that the petitioners have cheated many persons and floated many companies, which shows their fraudulent intention. It is difficult to see how this submission will help the informant. An offence is not proved simply because the person had committed an earlier offence. Further, this submission is an attempt to establish that since one person has committed an offence at one point of time, therefore, he has committed other offences, which is contrary to Sections 14 and 15 of the Indian Evidence Act corresponding to Section 12 and 13 of the Bharatiya Sakshya Adhiniyam (BSA), 2023.

28. It was submitted that the petitioners had threatened the informant, which discloses the commission of an offence punishable under Section 506 of the IPC. This submission will also not help the State. Criminal intimidation is defined in Section 503 of the IPC as under: -

> **503. Criminal intimidation**
>
> Whoever threatens another with any injury to his person, reputation or property, or to the person or reputation of anyone in whom that person is interested, with intent to cause alarm to that person, or to cause that person to do any act which he is not legally bound to do, or to omit to do any act which that person is legally entitled to do, as the means of avoiding the execution of such threat, commits criminal intimidation.
>
> Explanation- A threat to injure the reputation of any deceased person in whom the person threatened is interested is within this section.

29. Section 503 requires that the threat of injury should have been made with an intent to cause alarm to a person, to do an act, which a person is not legally bound to do or omit to do any act which he is legally entitled to do. It was laid down by this Court in ***Inder Pratap Singh Versus State of Himachal Pradesh 2003 (1) Crimes 345 (HC)*** that the complainant should have been alarmed by the threat advanced by the accused to attract section 506 of IPC. It was observed:

> "21. Similarly, before an offence of criminal intimidation

can be made out, it must be established prima facie that the accused persons (like petitioners in the present case) intended to cause an alarm to the complainant party, i. e., Jasbeer Singh. Mere threats, as alleged by him, extended by the petitioners, with a view to deter the complainant from interfering with what the petitioner believed to be his exclusive property, would not constitute an offence of criminal intimidation."

30. Similar is the judgment of Hon'ble Supreme Court in ***Vikram Johar v. State of U.P.*, *(2019) 14 SCC 207: (2019) 4 SCC (Cri) 795: 2019 SCC OnLine SC 609*** wherein it was held at page 209: -

"**25.** Now, reverting back to Section 506, which is an offence of criminal intimidation, the principles laid down by ***Fiona Shrikhande v. State of Maharashtra, (2013) 14 SCC 44 : (2014) 1 SCC (Cri) 715*** have also to be applied when the question of finding out as to whether the ingredients of the offence are made or not. Here, the only allegation is that the appellant abused the complainant. For proving an offence under Section 506 IPC, what are the ingredients that have to be proved by the prosecution? *Ratanlal & Dhirajlal on Law of Crimes*, 27th Edn., with regard to proof of offence, states the following:

"*... The prosecution must prove:*

(*i*) *That the accused threatened some person.*

(*ii*) *That such threat consisted of some injury to his person, reputation or property; or to the person, reputation or property of someone in whom he was interested*;

(*iii*) *That he did so with intent to cause alarm to that person; or to cause that person to do any act which he was not legally bound to do, or omit to do any act which he was legally entitled to do as a means of avoiding the execution of such threat.*" (emphasis supplied)

A plain reading of the allegations in the complaint does not satisfy all the ingredients as noticed above.

31. In the present case, the averments in the FIR do not mention that the informant was alarmed by the threat to kill him; hence, the necessary ingredients of the commission of an offence punishable under Section 506 of the IPC are not satisfied.

32. Therefore, the allegations in the FIR, even if accepted to be correct, do not constitute the commission of any cognisable offence and the continuation of the proceedings is not permissible.

33. In view of the above, the present petition is allowed, and F.I.R. No. 58 of 2025, dated 08.06.2025, registered at Police Station Tissa, District Chamba, H.P. (Annexure P-1) as well as consequential proceedings arising out of F.I.R. are quashed qua the petitioners.

34. Petition stands disposed of in the above terms, so also pending applications, if any.

(Rakesh Kainthla)
Judge

30th September, 2026
(Ravinder)