**REPORTABLE**

**IN THE SUPREME COURT OF INDIA**
**CRIMINAL APPELLATE JURISDICTION**

**CRIMINAL APPEAL NO. 2849 OF 2026**
**[ARISING OUT OF S.L.P. (CRIMINAL) NO. 13907 OF 2024]**

**M/S MANSI FINANCE (CHENNAI) LTD. ... APPELLANT(S)**

**VERSUS**

**M. LALITHA AND OTHERS ... RESPONDENT(S)**

**J U D G M E N T**

**PRASHANT KUMAR MISHRA, J.**

**1.** Leave granted.

**2.** The present Appeal lays challenge to the impugned final order dated 28.06.2024 passed by the High Court of Judicature at Madras[1] in Criminal Original Petition No.10494 of 2024, whereby the High Court, in exercise of its jurisdiction under Section 482 of the Code of Criminal Procedure, 1973[2], quashed the criminal proceedings against respondent Nos. 1 to 4 herein (arrayed as accused nos. 3, 6, 8 and 9) in S.T.C. No. 1980 of 2023, pending on the file of the Court of the learned IV FTC Metropolitan Magistrate, George Town, Chennai, arising out of a private complaint instituted by the appellant under Sections 138 and 141 of the Negotiable Instruments Act, 1881[3].

[1] For short, 'High Court'
[2] For short, 'Cr.PC'
[3] For short, 'NI Act'

## A. FACTUAL MATRIX

**3.** The appellant, M/s Mansi Finance (Chennai) Ltd., is a finance company carrying on business at Chennai and has instituted the said complaint through its Manager and Power of Attorney holder, A. Ramesh. On the other hand, the first accused in the complaint is M/s Ravindra Bharathi Educational Society, a society registered under the provisions of the Societies Registration Act, 1860. The second accused, namely M. Subramaniam, is the President of the said Society and the signatory to the cheque in question. The present respondent Nos. 1 to 4 were arrayed in the complaint as accused nos. 3, 6, 8 and 9 respectively, in their capacities as office bearers and functionaries of the Society, namely Vice-President, Treasurer, Executive Member and Manager. The case of the appellant is that all the accused persons were actively associated with the affairs of the Society and were responsible for its administration and business dealings.

**4.** The genesis of the dispute lies in a series of financial transactions entered into between the appellant and the accused-Society. It is the specific case of the appellant that during the period between 02.07.2018 and 27.07.2018, the accused persons, acting for and on behalf of the Society, approached the appellant and borrowed an aggregate sum of Rs. 4,50,00,000/- (Four Crores and Fifty Lakhs Rupees only) for the purpose of development of the educational institution and for its business requirements. The said amount is stated to have been advanced in different tranches by way of cheques.

**5.** In acknowledgment of the borrowings, promissory notes came to be executed on various dates between 02.07.2018 and 27.07.2018 in favour of the appellant. The record indicates that the said promissory notes were executed by the second accused-President of the Society and, in certain instances, by some of the office bearers including respondent Nos. 1 and 4 herein, thereby evidencing their participation in the financial arrangements underlying the transaction.

**6.** It is further borne out from the record that on 31.07.2018, a Memorandum of Understanding[4] came to be executed between the appellant and the accused-Society, represented by its President and Vice-President, formalizing the borrowing transaction and stipulating the terms of repayment. Under the said arrangement, the amount advanced carried interest at the rate of 30% per annum and remained repayable on demand.

**7.** According to the appellant, despite repeated demands for repayment, the outstanding liability remained unpaid. Thereafter, towards discharge of the subsisting liability together with accrued interest, cheque bearing No.003109 dated 18.11.2019 for a sum of Rs. 5,12,61,500/- (Five Crores and Twelve Lakhs and Sixty-one Thousand and Five Hundred Rupees only) came to be issued in favour of the appellant, drawn on Andhra Bank, Kavuri Hills Branch, Hyderabad. As noted by the High Court, the cheque in question was signed by the second accused, M. Subramaniam, in his capacity as President and authorised signatory of the first accused-Society.

[4] For short, 'MoU'

**8.** The appellant presented the said cheque for encashment through its banker, namely IDBI Bank, Parrys Corner Branch, Chennai. However, the cheque was dishonoured and returned unpaid on 19.11.2019 with the endorsement "Account Blocked". Pursuant thereto, the appellant caused a statutory demand notice dated 12.12.2019 to the Society and all its office bearers, including the present respondents, calling upon them to make payment of the cheque amount within the prescribed statutory period. The notice is stated to have been served on 16.12.2019. Despite service of notice, neither payment was made nor any reply was issued on behalf of the accused persons.

**9.** Consequent upon failure to comply with the statutory demand, the appellant instituted a private complaint under Sections 138 and 141 of the NI Act before the Court of the learned IV FTC Metropolitan Magistrate, George Town, Chennai, which came to be taken on file as S.T.C. No. 1980 of 2023, by order dated 27.02.2023.

**10.** In the complaint so instituted, the appellant specifically averred that accused nos. 2 to 9, including the present respondents, were persons in-charge of and responsible to the first accused-Society for the conduct of its day-to-day business affairs. It was further alleged, particularly in paragraph 7 of the complaint, that all the accused persons had knowingly issued the cheque despite being fully aware that the account of the Society stood blocked and that such issuance was actuated by *mala fide* intention and dishonest motive.

**11.** Upon being summoned in the complaint proceedings, the present respondents approached the High Court by filing Criminal Original Petition No. 10494 of 2024 under Section 482 of the Cr.PC seeking quashing of the complaint insofar as it pertained to them. The principal contention urged before the High Court was that they were neither signatories to the cheque nor in-charge of the day-to-day affairs of the Society and that the complaint lacked the necessary foundational averments to attract vicarious liability under Section 141 of the NI Act.

**12.** *Vide* impugned final order dated 28.06.2024, the High Court allowed the plea and had quashed the proceedings arising out of the complaint insofar as the present respondents are concerned.

**13.** While passing the impugned order, the High Court examined the scope and ambit of Section 141 of the NI Act and held that prosecution against persons other than the drawer or signatory of the cheque can be sustained only upon satisfaction of the statutory requirements that such persons were both in-charge of and responsible for the conduct of the business of the company or society concerned. The High Court held that the averments contained in the complaint, particularly paragraph 7 thereof, were omnibus and lacked the requisite specificity to satisfy the statutory threshold for fastening vicarious criminal liability.

**14.** In arriving at the aforesaid conclusion, the High Court placed reliance upon the decisions of this Court in ***S.P. Mani and Mohan Dairy vs. Dr.***

***Snehalatha Elangovan***[5] and ***Ashok Shewakramani and Others vs. State of Andhra Pradesh and Another***[6] and held that mere designation as office bearers of a Society, in the absence of specific allegations disclosing their active role in the conduct of its business affairs, would not justify continuation of criminal prosecution under Sections 138 and 141 of the NI Act.

**15.** Aggrieved by the quashing of proceedings *qua* the present respondents, the appellant has preferred the present Appeal.

## B. SUBMISSIONS OF PARTIES

**16.** We have heard the learned counsel appearing for the parties and perused the material placed on record.

**17.** Learned senior counsel for the appellant argued that the High Court erred in quashing the complaint despite the specific averments in the complaint that the respondents were in charge of and responsible for the day-to-day affairs and financial management of the Society.

**18.** It was argued that the complaint sufficiently satisfied the requirements under Section 141 of the NI Act as it specifically alleged that the respondents were responsible for the conduct of the affairs of the Society and had knowingly participated in issuance of the cheque despite insufficiency of funds.

**19.** It was further submitted that respondent Nos. 1 to 3 were office bearers and members of the Managing Committee entrusted with the management of

[5] (2023) 10 SCC 685
[6] (2023) 8 SCC 473

funds, operation of bank accounts, and approval of withdrawals, thereby attracting liability under Section 141 of the NI Act.

**20.** Learned senior counsel further argued that the documents placed on record, including the MoU and promissory notes, *prima facie* demonstrated the active involvement of the respondents in the financial affairs and transactions of the Society.

**21.** Learned senior counsel for the appellant also contended that the participation of the respondents in execution of financial documents and repayment arrangements clearly established their involvement in the conduct of the affairs of the Society. Lastly, learned senior counsel also argued that the question regarding the precise role and responsibility of the respondents was a disputed question of fact which could only be determined during trial upon appreciation of evidence.

**22.** *Per contra,* learned counsel for the respondents argued that the High Court rightly exercised its jurisdiction under Section 482 of the Cr.PC to prevent unnecessary criminal prosecution where the basic ingredients required to proceed against the respondents were absent.

**23.** Learned counsel for the respondents highlighted that the complaint did not contain any specific allegations showing how and in what manner they were responsible for the conduct of the affairs of the Society at the relevant time. It was pointed out by the learned counsel that there were only omnibus allegations and there existed no strict compliance with the requirements under Section 141 of the NI Act.

**24.** Lastly, learned counsel for the respondents submitted that mere designation as office bearer is insufficient to attract vicarious liability under Section 141 of the NI Act in the absence of specific averments in the complaint by the appellant regarding their active role in the conduct of the affairs of the Society.

## C. ANALYSIS

**25.** The short question which falls for consideration is whether the High Court was justified in quashing the complaint proceedings against the respondents herein in exercise of its inherent jurisdiction under Section 482 of the Cr.PC.

**26.** Before adverting to the rival submissions, it would be apposite to notice the statutory scheme governing the controversy. Section 141 of the NI Act is reproduced hereinbelow for reference:

> "141. Offences by companies.—(1) If the person committing an offence under Section 138 is a company, every person who, at the time the offence was committed, was in charge of, and was responsible to the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly:
>
> Provided that nothing contained in this sub-section shall render any person liable to punishment if he proves that the offence was committed without his knowledge, or that he had exercised all due diligence to prevent the commission of such offence.
>
> Provided further that where a person is nominated as a Director of a company by virtue of his holding any office or employment in the Central Government or State Government or a financial corporation owned or controlled by the Central Government or the State Government, as the case may be, he shall not be liable for prosecution under this chapter.
>
> (2) Notwithstanding anything contained in sub-section (1), where any offence under this Act has been committed by a company and it is proved that the offence has been

> committed with the consent or connivance of, or is attributable to, any neglect on the part of, any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall also be deemed to be guilty of that offence and shall be liable to be proceeded against and punished accordingly."

**27.** While Section 138 of the NI Act creates the offence of dishonour of cheque, Section 141 of the NI Act extends criminal liability to every person who, at the time the offence was committed, was in-charge of and responsible to the company or association for the conduct of its business. The position in law on the scope and ambit of Section 141 of the NI Act is well established. In ***S.M.S. Pharmaceuticals Ltd. vs. Neeta Bhalla and Another***[7], a three-Judge Bench of this Court held that for invoking vicarious liability under Section 141 of the NI Act, it is necessary to aver in the complaint that at the time the offence was committed, the person accused was in-charge of and responsible for the conduct of the business of the company. The relevant observations of this Court are as follows:

> "**18.** To sum up, there is almost unanimous judicial opinion that necessary averments ought to be contained in a complaint before a person can be subjected to criminal process. A liability under Section 141 of the Act is sought to be fastened vicariously on a person connected with a company, the principal accused being the company itself. It is a departure from the rule in criminal law against vicarious liability. **A clear case should be spelled out in the complaint against the person sought to be made liable. Section 141 of the Act contains the requirements for making a person liable under the said provision. That the respondent falls within the parameters of Section 141 has to be spelled out. A complaint has to be examined by the Magistrate in the first instance on the basis of averments contained therein. If the Magistrate is satisfied that there are averments which bring the case within Section 141, he would issue the process. We have seen that merely being described as a director in a company is not sufficient to satisfy the requirement of Section 141. Even a non-director can be liable under Section 141 of**

[7] (2005) 8 SCC 89

> **the Act. The averments in the complaint would also serve the purpose that the person sought to be made liable would know what is the case which is alleged against him. This will enable him to meet the case at the trial.**
>
> 19. In view of the above discussion, our answers to the questions posed in the reference are as under:
>
> (a) **It is necessary to specifically aver in a complaint under Section 141 that at the time the offence was committed, the person accused was in charge of, and responsible for the conduct of business of the company. This averment is an essential requirement of Section 141 and has to be made in a complaint. Without this averment being made in a complaint, the requirements of Section 141 cannot be said to be satisfied.**
>
> (b) The answer to the question posed in sub-para (b) has to be in the negative. **Merely being a director of a company is not sufficient to make the person liable under Section 141 of the Act. A director in a company cannot be deemed to be in charge of and responsible to the company for the conduct of its business. The requirement of Section 141 is that the person sought to be made liable should be in charge of and responsible for the conduct of the business of the company at the relevant time. This has to be averred as a fact as there is no deemed liability of a director in such cases.**
>
> (c) The answer to Question (c) has to be in the affirmative. The question notes that the managing director or joint managing director would be admittedly in charge of the company and responsible to the company for the conduct of its business. When that is so, holders of such positions in a company become liable under Section 141 of the Act. By virtue of the office they hold as managing director or joint managing director, these persons are in charge of and responsible for the conduct of business of the company. Therefore, they get covered under Section 141. **So far as the signatory of a cheque which is dishonoured is concerned, he is clearly responsible for the incriminating act and will be covered under sub-section (2) of Section 141."**
>
> (emphasis supplied)

**28.** The principle was further explained in ***National Small Industries Corporation Limited vs. Harmeet Singh Paintal and Another***[8], where this Court observed that vicarious liability cannot be inferred merely from holding

[8] (2010) 3 SCC 330

an office or designation and the complaint must disclose how and in what manner the accused was responsible for the conduct of the business of the company. The relevant observations of this Court are reproduced hereinbelow:

> "**13.** Section 141 is a penal provision creating vicarious liability, and which, as per settled law, must be strictly construed. **It is therefore, not sufficient to make a bald cursory statement in a complaint that the Director (arrayed as an accused) is in charge of and responsible to the company for the conduct of the business of the company without anything more as to the role of the Director. But the complaint should spell out as to how and in what manner Respondent 1 was in charge of or was responsible to the accused Company for the conduct of its business. This is in consonance with strict interpretation of penal statutes, especially, where such statutes create vicarious liability.**
>
> ***
>
> 22. Therefore, **this Court has distinguished the case of persons who are in charge of and responsible for the conduct of the business of the company at the time of the offence and the persons who are merely holding the post in a company and are not in charge of and responsible for the conduct of the business of the company. Further, in order to fasten the vicarious liability in accordance with Section 141, the averment as to the role of the Directors concerned should be specific. The description should be clear and there should be some unambiguous allegations as to how the Directors concerned were alleged to be in charge of and were responsible for the conduct and affairs of the company.**
>
> ***
>
> 39. From the above discussion, the following principles emerge:
>
> (i) **The primary responsibility is on the complainant to make specific averments as are required under the law in the complaint so as to make the accused vicariously liable. For fastening the criminal liability, there is no presumption that every Director knows about the transaction.**
>
> (ii) Section 141 does not make all the Directors liable for the offence. **The criminal liability can be fastened only on those who, at the time of the commission of the offence, were in charge of and were responsible for the conduct of the business of the company.**

> (iii) **Vicarious liability can be inferred against a company registered or incorporated under the Companies Act, 1956 only if the requisite statements, which are required to be averred in the complaint/petition, are made so as to make the accused therein vicariously liable for offence committed by the company along with averments in the petition containing that the accused were in charge of and responsible for the business of the company and by virtue of their position they are liable to be proceeded with.**
>
> (iv) **Vicarious liability on the part of a person must be pleaded and proved and not inferred.**
>
> (v) If the accused is a Managing Director or a Joint Managing Director then it is not necessary to make specific averment in the complaint and by virtue of their position they are liable to be proceeded with.
>
> (vi) **If the accused is a Director or an officer of a company who signed the cheques on behalf of the company then also it is not necessary to make specific averment in the complaint.**
>
> (vii) **The person sought to be made liable should be in charge of and responsible for the conduct of the business of the company at the relevant time. This has to be averred as a fact as there is no deemed liability of a Director in such cases."**
>
> (emphasis supplied)

**29.** At the same time, in a recent decision in ***HDFC Bank Limited vs. State of Maharashtra and Another***[9], this Court clarified that the complaint need not mechanically reproduce the exact phraseology of Section 141 of the NI Act if the substance of the allegations, read as a whole, discloses the factual basis for such liability. The emphasis, therefore, is not on form but on substance in the sense that the criminal liability under Section 141 of the NI Act is person-specific and cannot be imposed merely by association. The complaint must, therefore, disclose sufficient factual foundation *qua* each accused and the role attributable to each must be independently discernible.

[9] (2025) 9 SCC 653 at Para 27.

**30.** The High Court has quashed the proceedings against all the respondents on the ground that the complaint does not disclose specific averments as to how and in what manner they were in-charge of and responsible for the conduct of the affairs of the Society and that the allegations are omnibus in nature. In doing so, reliance has been placed upon the decisions of this Court in ***S.P. Mani and Mohan Diary*** *(supra)* and ***Ashok Shewakramani*** *(supra)*. The proposition of law laid down in the foregoing decisions admits of no dispute. Mere designation as an office bearer of a company or society is not sufficient to attract Section 141 of the NI Act. Equally, a complaint containing only a bald reproduction of the statutory language without factual foundation cannot be sustained. However, it is clear that the complaint itself is required to be read as a whole and not in isolated fragments.

**31.** In ***Ashok Shewakramani*** *(supra)*, this Court quashed the proceedings on the ground that the complaint therein contained only a reproduction of the statutory requirements under Section 141 of the NI Act without disclosing any factual nexus between the accused and the transaction giving rise to the dishonoured cheque.[10] It was in that factual context that this Court held that mere reiteration of the statutory formula would not suffice.

**32.** In ***S.P. Mani and Mohan Diary*** *(supra),* while reiterating the requirement of foundational averments under Section 141 of the NI Act, this Court also emphasized that in construing a complaint a hyper-technical approach ought not to be adopted and that where, read as a whole, the factual

[10] At Para 23 to 25 of ***Ashok Shewakramani*** judgment.

foundation for the offence has been laid, the power of quashing should be exercised sparingly.[11] This decision underscores that while vicarious liability cannot be fastened in the absence of requisite pleadings, the complaint must nonetheless be read in a practical and purposive manner, and if the factual foundation for offence is disclosed, the proceedings ought not to be interdicted at threshold.

**33.** Keeping the foregoing principles in mind, the issue, therefore, is whether the appellant's complaint discloses sufficient factual foundation against each of the respondents herein so as to justify continuation of the prosecution. The answer to that question cannot be uniform for all the respondents and must necessarily depend upon the role attributable to each of them.

**34.** The present case, insofar as respondent Nos. 1 (M. Lalitha - Vice President), 2 (M. Rekah - Treasurer) and 4 (R. Murugan - Manager) are concerned, stands on a materially different footing. The complaint refers to antecedent borrowings, execution of promissory notes and the MoU acknowledging the liability and stipulating the terms of repayment. These antecedent transactions constitute the substratum of the legally enforceable debt against which the cheque in question came to be issued.

**35.** The material placed on record *prima facie* indicates that respondent Nos. 1, 2 and 4 were themselves signatories to some of the antecedent financial documents forming part of the transaction. The MoU bears the

[11] At Para 42 to 42.8 of ***S.P. Mani and Mohan Diary*** judgment.

signature of respondent no. 1. The dishonoured cheque itself bears the signature of respondent No. 2. The promissory notes and allied payment documents disclose participation of respondent Nos. 1, 2 and 4. These are not matters of mere designation but constitute *prima facie* material linking them to the underlying transaction.

**36.** The documentary material forming part of the complaint furnishes the factual foundation necessary for continuation of the prosecution at this stage. Such participation in the transaction giving rise to the debt constitutes a relevant and proximate circumstance while considering whether respondent Nos. 1, 2 and 4 were in-charge of and responsible for the affairs of the Society within the meaning of Section 141 of the NI Act.

**37.** However, the position stands on a different footing insofar as respondent No. 3 (R. Babu Rao – Executive Member) is concerned. Except for the general assertion in the complaint that he was an office bearer of the Society and was responsible for its affairs, no specific role is attributed to him in the transaction in question. Significantly, no promissory note, cheque, MoU or allied financial document bears his signature or otherwise indicates his participation.

**38.** Insofar as respondent No. 3 is concerned, the complaint does not travel beyond a general assertion founded upon his official status in the Society. In the absence of any specific factual foundation connecting him with the transaction giving rise to the dishonoured cheque, the principle laid down in ***Ashok Shewakramani*** *(supra)* and ***National Small Industries Corporation Limited*** *(supra)* would squarely apply.

**39.** Learned senior counsel for the appellant had argued that respondent no.3, being an Executive Member and part of the Managing Committee of the Society, was entrusted with the affairs of the Society and, therefore, liable under Section 141 of the NI Act. We are unable to accept the said submission. The law governing Section 141 of the NI Act is clear that there is no deemed liability merely by virtue of holding an office or position in the company or society.[12] The complaint must disclose the factual basis showing that the person sought to be prosecuted was in-charge of and responsible for the conduct of the business of the entity at the relevant time. As far as the present case is concerned, except for the general assertion regarding his status as an Executive Member, no specific averment or material connecting respondent No. 3 with the transaction in question has been brought on record. His designation alone, therefore, would not be sufficient to attract liability under Section 141 of the NI Act.

**40.** The High Court, in our view, was justified in quashing the proceedings against respondent No. 3. However, it failed to notice the material distinction *qua* respondent Nos. 1, 2 and 4 and erred in extending the same relief to them despite the *prima facie* material disclosing their participation in the underlying transaction.

**41.** At the stage of quashing, the Court does not adjudicate upon the truthfulness of the allegations nor does it embark upon appreciation of evidence. Whether respondent nos.1, 2 and 4 were in fact in-charge of and responsible for the conduct of the affairs of the Society is ultimately a matter

[12] At Para 18 of ***S.M.S. Pharmaceuticals Ltd.*** judgment.

of evidence to be established at trial, as explained in ***S.M.S. Pharmaceuticals Ltd.*** *(supra).*[13] The sufficiency of such evidence is not the subject matter of inquiry at this stage; the existence of foundational material alone is.

**42.** It is also relevant to note that the cheque in question was returned unpaid with the endorsement "Account Blocked". The complaint specifically alleges that despite the existence of such circumstances, the cheque came to be issued towards discharge of the liability arising out of the transactions between the parties.[14] At this stage, this Court is not required to adjudicate upon the correctness of the said allegation. However, the surrounding circumstances, coupled with the documentary material, *prima facie* disclosing participation of respondent Nos. 1, 2 and 4 in the underlying financial transactions, constitute sufficient foundational material to justify continuation of the prosecution against them.

**43.** In the facts of the present case, we are of the considered view that the complaint discloses sufficient foundational facts to proceed against respondent Nos. 1, 2 and 4, but not against respondent No. 3. The impugned order, therefore, warrants interference only to the limited extent indicated above.

## D. CONCLUSION

**44.** In view of the aforesaid discussion, we reach the following conclusion:

a) The Appeal is ***partly allowed***.

[13] At Para 18 of ***S.M.S. Pharmaceuticals Ltd.*** judgment.
[14] At Para 7 of the Complaint.

b) The impugned final order dated 28.06.2024 passed by the High Court in Criminal Original Petition No. 10494 of 2024 is ***set aside*** insofar as it relates to respondent Nos. 1, 2 and 4 herein. As far as respondent No. 3 is concerned, the quashing of proceedings is ***upheld.***

c) Consequently, the complaint in S.T.C. No. 1980 of 2023, pending on the file of the Court of the learned IV FTC Metropolitan Magistrate, George Town, Chennai, shall stand restored insofar as respondent Nos. 1, 2 and 4 herein are concerned.

**45.** All contentions of the parties are left open to be urged before Trial Court. We clarify that the observations made in this judgment are confined only to the adjudication of the issue arising in the present Appeal and shall not be construed as an expression on the merits of the allegations in the complaint.

**.....J.**
**(PRASHANT KUMAR MISHRA)**

**.....J.**
**(N.V. ANJARIA)**

**NEW DELHI;**
**MAY 26, 2026.**