

INDIAN OVERSEAS BANK VS. M.A.S SUBRAMANIAN & OTHERS

The Supreme Court of India in a significant ruling comprising Justices Abhay S. Oka and Ujjal Bhuyan reiterated the principle on ownership of immovable property by clarifying that an agreement to sell does not confer title.

BACKGROUND

The dispute revolved around the ownership of a piece of land which was originally owned by Mr. M.A Shanmugam. It was claimed that Mr. Shanmugam had agreed to transfer the land to a company, in lieu of some shares. Based on this the company claimed possession of the land, citing the principle of part-performance of the contract.

However, during Mr. Shanmugam's lifetime, no registered sale deed was executed, as mandated by Section 54 of the Transfer of Property Act, 1882, and the Indian Registration Act, 1908, for the legal transfer of ownership.

After his death his legal heirs executed a sale deed on 31st October 2011 but this transaction was disputed as the company argued that the sale deed was not binding on it, by asserting prior possession under the earlier agreement.

The National Company Law Appellate Tribunal (NCLAT) ruled in favour of the company, stating that the land belonged to the company, due to part-performance of the contract. The Tribunal also declared that the sale deed executed by the heirs of Mr. Shanmugam was not binding on the company. The matter was eventually challenged before the Supreme Court and questions were raised about the validity of the sale deed, the claim of the company over the piece of land through part-performance and whether the NCLAT had the jurisdiction to declare the sale deed invalid.

JUDGEMENT

The Supreme Court reviewed the findings of NCLAT and highlighted that, under Section 54 of the Transfer of Property Act, 1882, and the Indian Registration Act, 1908, ownership of property cannot be transferred without the execution of a registered sale deed. Since no such deed had been executed by the original owner (Shanmugam) the land still belonged to him legally.

The Court was of the opinion that the NCLAT had exceeded its jurisdiction by declaring the sale deed of October 2011, executed by Mr. Shanmugam's heirs, as not binding on the company. Since the company had not filed any case to enforce the agreement for sale through specific performance hence the NCLAT did not have the authority to make a declaration based on partial fulfilment of the contract.

The NCLAT'S declaration was set aside by the Court. However, it did not offer any views regarding ownership rights or claims arising from the sale deed. The Court stated that all parties, including the company, retain their rights to pursue legal remedies to enforce their rights vis a vis the property.

The appeals were partly allowed and all parties were free to exercise their claims through appropriate legal channels.