

PRAKASH CHIMANLAL SHETH VS. JAGRUTI KEYUR RAJPOPAT

The Supreme Court recently settled a case regarding the territorial jurisdiction for filing complaints under Section 138 of the Negotiable Instruments Act, 1881 (N.I. Act). The Court clarified that the correct jurisdiction lies where the payee's account is, not where the cheques were deposited.

BACKGROUND OF THE CASE

The appellant claims that Keyur Lalitbhai Rajpopat borrowed a sum of Rs. 3,850,000. Keyur's wife, Jagruti Keyur Rajpopat, acted as a guarantor for the loan. Jagruti, in addition, also received financial assistance from the appellant. In September 2023, she issued four checks to cover both her own debt and her husband's.

The appellant deposited these cheques at the Kotak Mahindra Bank's Opera House Branch in Mumbai. However, on September 15th, 2023 he was informed that they had been dishonoured due to insufficient funds. He filed four complaint cases under Section 138 of the N.I. Act with the Judicial Magistrate First Class, Fifth Court, Mangalore.

On December 12, 2023 the Mangalore Magistrate returned the complaint, stating that the court lacked territorial jurisdiction. The magistrate reasoned that since the drawee bank was in Mumbai, the complaint should have been filed there. The appellant challenged this decision in the Karnataka High Court, which upheld the Magistrate's order. The appellant was left with no other option but to appeal to the Supreme Court.

ARGUMENTS BY THE PARTIES

Counsel for the appellant argued that the appellant's bank account was maintained at the Kotak Mahindra Bank's Bendurwell, Mangalore Branch and the cheques had only been presented at the Mumbai branch for collection. The counsel contended that the Lower Courts had made an error by assuming the appellant's account was in Mumbai and dismissed the complaints on jurisdictional grounds.

The Respondent's counsel had initially supported the Lower Court's stance but after reviewing a letter from Kotak Mahindra Bank confirming the appellant's account number was linked to its Mangalore branch, the counsel agreed that the appellant did maintain his bank account in Mangalore.

SUPREME COURT'S JUDGMENT AND REASONING

The Supreme Court allowed the appeal, setting aside the orders of both the Mangalore Magistrate and the Karnataka High Court. The Court based its decision on a clear interpretation of Section 142(A) of the N.I. Act.

The reasoning was rooted in the 2015 amendment to the N.I. Act and its previous ruling in *Bridgestone India Private Limited vs. Inderpal Singh (2016)*. The Court reaffirmed that Section 142(2)(a) clearly vests jurisdiction in the court where the payee's bank account is maintained and the physical location of where the cheque was deposited, is inconsequential.

In this case, since there was no dispute that the appellant maintained his account at the Bendurwell, Mangalore Branch, the court ruled that the Mangalore Branch had the territorial jurisdiction to hear the cases. The Supreme Court also highlighted that the Lower Court's decision was based on an incorrect impression and completely opposed to the clear mandate of Section 142(2)(a) of the N.I. Act.

The Court directed the Judicial Magistrate First Class, Fifth Court, Mangalore, to rehear and expedite the appellant's complaints.