

Supreme Court of India

Ram Janki Devi & Anr vs M/S. Juggilal Kamlapat on 28 January, 1971

Equivalent citations: 1971 AIR 2551, 1971 SCR (3) 573

Author: A Ray

Bench: Ray, A.N.

PETITIONER:

RAM JANKI DEVI & ANR.

Vs.

RESPONDENT:

M/S. JUGGILAL KAMLAPAT

DATE OF JUDGMENT 28/01/1971

BENCH:

RAY, A.N.

BENCH:

RAY, A.N.

MITTER, G.K.

CITATION:

1971 AIR 2551

1971 SCR (3) 573

ACT:

Deposit and Loan-Difference between-Tests-Demand for part of loan whether starts limitation.

HEADNOTE:

Two groups known as the Singhania group and the Gupta Group were partners in M/s. India Supplies. Both were also interested in-the business of Lakshmi Ratan Cotton Mills. In the present litigation the Gupta group was represented by the appellants and the Singhania group by the respondent. In the year 1942 Lakshmi Rattan Cotton Mills was the creditor of M/s. India Supplies for the approximate sum of Rs. 4,00,000. Lakshmi Ratan Cotton Mills was a debtor to the respondent for the approximate sum of Rs. 400,000. Lakshmi Ratan Cotton Mills demanded the sum of Rs. 4,00,000 from India Supplies. India Supplies could not repay Lakshmi Ratan Cotton Mills. Thereafter India Supplies proposed that the respondent should deposit a sum of Rs. 4,00,000 with India Supplies to wipe out the indebtedness of the India Supplies to Lakshmi Ratan Cotton Mills. The respondent accepted the 'said proposal and thereafter a letter dated 29, September 1942 was written by the head of the Gupta group on behalf of India Supplies to the respondent recording the agreement that "a sum of Rs. 4,00,000 should be debited to India Supplies as deposit at the usual rate of

interest as agreed upon." The respondent was to place to the credit of Lakshmi Ratan Cotton Mills a sum of Rs. 4,00,000 in its account with the respondent thus reducing the indebtedness of Lakshmi Ratan Cotton Mills from Rs. 9,00,000 to Rs. 5,00,000. Disputes and differences arose between the two groups thereafter. In 1944 there was an arbitration award. The Sing Hantias went out of both India Supplies and Lakshmi Ratan Cotton Mills, and the Gupta group carried on both the businesses. The present suit was, filed by the respondent in 1953. The claim was based on the aforesaid deposit of Rs. 4,00,000. The suit though originally filed in the court of the Civil Judge, Kanpur was tried by the Allahabad High Court in its original jurisdiction. The suit was decreed in favour of the respondent. With certificate appeal was filed in this Court. The questions for consideration were : (i) whether the money was deposited under an agreement and payable on demand so that limitation would commence from the date of demand within three years of which it was filed, or whether it was a loan made on 30th December 1942 in respect of which the suit was barred under Art. 59 by limitation, the same not having been filed within three years from the date of the loan; (ii) whether there was a demand for a part of the amount in 1943 and therefore limitation would start from that date.

HELD: (i) The amount was a deposit and not a loan.

The case of a deposit is something more than a mere loan of money. It will depend on the facts of each case whether the transaction is clothed with the character of a deposit of money. The surrounding circumstances, the relationship and character of the transaction and the manner in which the parties treated the transaction will throw light on the true form of the transaction. [577 H]

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V.E, A. Annamalai Chettiar & Anr. v. S. V. V. S. Veerappa Chettiar, A.I.R. 1956 S.C. 12 and Nawab Major Sir Mohammad Akbar Khan v. Attar Singh & Ors., 63 I.A. 279, referred to. Some of the partners of the appellant and the respondent in the year 1942 were common. It would be more explicable and natural course of events that monies would be kept in deposit with the appellant in order to enable them to have financial accommodation without immediate worry of repayment. The mere fact that money in specie was not paid would not be destructive of the case of deposit. The respondent acted as bankers. The way in which the respondent made entries in the pass-book of the appellant was consistent with the roznamcha, khata and nakalbahi books. It was not a case of the respondent giving loan to the appellant for the obvious reason that the history of the transaction between the appellant and Lakshmi Cotton Mills showed that the appellant had to be put on a footing of financial stability by giving the appellant the use of the sum of Rs. 4,00,000 for a long time. The absence of any negotiable instrument was significant. A hundi or a

promissory note would have been consistent with the case of a loan. The relationship between the parties the surrounding circumstances at the time of the transaction, the pecuniary position of the appellant were all overwhelming features to corroborate the oral as well as the documentary evidence of the respondent that the amount was deposited with the appellant. [580 E-H]

The arbitration award in the dispute between the parties gave directions on the basis that there were advances between the parties which were in the nature of deposit and were not covered by the award., [581 A-B]

In contemporaneous documents the appellant never said that it was a case of advancing loan. The non-production of the appellant's accounts coupled with the appellant's staying away from the witness box indicated the inherent infirmities of the appellant's case. [581 D]

(ii) There is a consensus among the High Courts that there must be an unqualified demand for the whole sum before the limitation can start in case of demand for return of the amount deposited. Further, a demand in the year 1943 for a part of the amount would not be effective because there were common partners in the firms of respondent and the appellant. [581 E-G]

Jogendranath Chakerbutty v. Dinkar Ram, A.I.R. 1921 Cal. 644, Motigauri v. Naranji, A.I.R. 1927 Bom. 362 and Subbaih Chetty & Ors.

The appeal must accordingly be dismissed.

JUDGMENT:

CIVIL APPELLATE JURISDICTION: Civil Appeal No. 2151 of 1966. Appeal from the judgment and order dated August 3, 1965 of the Allahabad High Court in Original Suit No. I of 1964. S. V. Gupte and J., P. Gopal, for the appellants. A. K. Sen, Rameshwar Nath and Swaranjit Sodhi, for the respondent.

The Judgment of Court was delivered by Ray, J.-This is an appeal by certificate from the judgment and decree dated 3 August, 1965 of the High Court of Allahabad decreeing the, respondents suit for the sum of Rs. 4,11,367.92.

The respondent filed the suit on 16 May, 1953 against the appellant for the recovery of Rs. 4,11,367.92 with interest and costs.

The respondent's case in short was that the respondent on 30 September, 1942 deposited a sum of Rs. 4,00,000 with M/s India Supplies whereof the appellants were the partners on the condition that interest would be payable @ 7/9 per cent per month and that the respondent would be entitled to withdraw the deposit on demand.

The suit was filed in the court of the First Civil Judge, Kanpur. The evidence was concluded before the Civil Judge, Kanpur. Thereafter by an order dated 12 May, 1964 of the High Court at Allahabad the suit was transferred to the High Court in its original ,civil jurisdiction. The High Court heard the suit and on 3 August, 1965 decreed the suit in favour of the respondent.

At the trial the issues were first whether the respondent deposited the sum of Rs. 4,00,000 with the appellant and secondly whether the suit was barred by time. The entire controversy in the suit is whether it was a case where money was deposited under an agreement and that it was payable on demand or whether it was a case of an ordinary loan of Rs. 4,00,000. The respondent contended that Article 60 of the Indian Limitation Act, 1908 was the relevant Article because if it was a case of money deposited under an agreement that it was payable on demand and therefore the limitation would commence from the date of demand and the suit was filed within three years from the demand. The rival contention of the appellant was that it was money lent under an agreement that it was payable on demand and the loan was made on 30 December, 1942 and therefore the suit not having been filed within 3 years from the date of the loan under Article 59 was barred by limitation. In the year 1942 Kailashpat Singhania and Pushpa Devi wife of Lakshmipat Singhania were partners of India Supplies along with the defendants. Defendant Ram Janki Devi is the wife of Ram Ratan Gupta and the other defendant Lal Ram Gopal Gupta is a brother of Ram Ratan Gupta and married Padampat Singhania's sister's daughter. The Singhania group and the Gupta group were the partners of India Supplies. The Singhania and the Gupta groups were also both interested in the business of Lakshmi Ratan Cotton Mills, The evidence on behalf of the respondent is that Lakshmi Rattan Cotton Mills a limited Company acted as financiers and bankers of India Supplies. In the year 1942, Lakshmi Ratan Cotton Mills was the creditor of M/s. India Supplies for the approximate sum of Rs. 4,00,000. Lakshmi Ratan Cotton Mills was a debtor to the respondent for the approximate sum of Rs. 4,00,000. Lakshmi Ratan Cotton Mills demanded the sum of Rs. 4,00,000 from India Supplies. India Supplies could not repay Lakshmi Ratan Cotton Mills. Thereafter India Supplies proposed that the respondent should deposit a sum of Rs. 4,00,000 with India Supplies to wipe out the indebtedness of India Supplies to Lakshmi Ratan Cotton Mills. The respondent accepted the said proposal and thereafter a letter dated 29 September, 1942 was written by Ram Ratan Gupta head of the Gupta group on behalf of India Supplies to the respondent recording the agreement that "a sum of Rs. 4,00,000 should be debited to India Supplies as deposit at the usual rate of interest as agreed upon". The respondent was to place to the credit of Lakshmi Ratan Cotton Mills a sum of Rs. 4,00,000 in its account with the respondent thus reducing the indebtedness of Lakshmi Ratan Cotton Mills from Rs. 9,00,000 to Rs. 5,00,000. Disputes and differences arose between the two groups thereafter. In 1944 there was an arbitration award. The Singhania went out of both India Supplies and Lakshmi Ratan Cotton Mills and the Gupta groups carried on both the businesses.

One of the books of account of the respondent, namely, the roznamcha (daily book) under the entry 30 September, 1942 shows that according to the letter of India Supplies the sum of Rs. 4,00,000 was deposited in the name of India Supplies. The other books of account of the plaintiff are khata (ledger) and nakalbahi (journal). The respondent also relied on the pass book entry being Ex-A-4 which shows that a sum of Rs. 4,00,000 was withdrawn on 30 September, 1942 by the appellant from the respondent as a banker and along with the interest from time to time the amount of Rs.

4,00,000 stood with the appellant in the deposit account. The balance-sheet of the appellant as on 30 June, 1943 being Ex.A-4 showed that a sum of Rs. 4,00,000 was unsecured loan from the respondent.

Counsel on behalf of the appellant contended that the use of the word 'deposit by itself occurring either in the roznamcha or in the letter dated 29 September, 1942 written by Ram Ratan Gupta would not be decisive of the question whether it was a case of deposit of the sum of Rs.- 4,00,000 by the respondent with the appellant under an agreement that the same would be paid on demand. At one stage in the proceedings there was a controversy as to whether Ram Ratan Gupta had authority to bind the appellant by the letter dated 29 September, 1942. There is evidence that Ram Ratan Gupta looked after the business of the appellant and acted on behalf of the firm of the appellant in ordinary mercantile transaction. Counsel for the appellant in all fairness did not question the authority of Ram Ratan Gupta to bind the firm of the appellant.

It was said by counsel for the appellant that there were six principal reasons to indicate that, it was a case of an ordinary loan of Rs. 4,00,000 and not- an instance of the sum of Rs. 4,00,000 being deposited by the respondent with the appellant under an agreement that the same would be paid on demand. The primary and pre-eminent point emphasized by the appellant was the background of the transaction between M/s India Supplies on the one hand and Lakshmi Ratan Cotton Mills on the other, that moneys were lent and advanced by Lakshmi Ratan Cotton Mills to India Supplies from time to time and all that happened was that in place of Lakshmi Ratan Cotton Mills the respondent became the creditor of the firm of the appellants. There was just a substitution of the creditor debtor relationship by substituting the respondent in place of Lakshmi Ratan Cotton Mills as the creditor. Secondly, it was said that there was never any payment of money in cash and adjustment entries were made in the books of the respondent. Thirdly, monies were not given nationally for the convenience of the respondent banker. Fourthly, monies were required by the appellant for his own business because Lakshmi Ratan Cotton Mills refused to help the appellant any more. Fifthly, Ex. A-4 the pass book would show that it was a case of advance of Rs. 4,00,000 by the respondent to the appellant, and finally, the appellants were not bankers and therefore it was improbable that the respondents who were bankers would deposit with the traders the sum of Rs. 4,00,000.

Counsel for the appellant relied on the decision of this Court in V. E. A. Annamalai Chettiar & Anr. v. S. V. V. S. Veerappa Chettiar(1) in support of the proposition that the answer to the question as to whether it was a loan or deposit would not depend merely on the terms of the document but had to be judged from the intention of the parties and the circumstances of the case. That is manifestly the correct approach.

The case of a deposit is something more than a mere loan of money. It will depend on the facts of each case whether the transaction is clothed with the character of a deposit of money. The surrounding circumstances, the relationship and character of the (1) A.I.R. 1956. S.C. 12.

transaction and the manner in which parties treated the transaction will throw light on the true form of the transaction.

The Judicial Committee in *Nawab Major Sir Mohammad Akbar Khan v. Attar Singh & Ors.* (1) spoke of the distinction between the deposit and loan to be that the two terms were not mutually exclusive but that a deposit not for a fixed term did not seem to impose an immediate obligation on the depositor to seek out the depositor and repay him. Though, documents by themselves are not conclusive of the question they have the evidentiary value and if they corroborate the oral evidence the importance of the documents is magnified. The letter Ex. A-5 bears the date 29 September, 1942 and is contemporaneous with the entire transaction between the appellant and the respondent. The letter was as follows:-

"Messrs. Juggilal Kamlapat Kothl, Cawnpore. Dear Sirs, As per my talk with Sir Padampat I shall thank you to credit a sum of S. 4 lacs (Rupees four lacs only) to the account of Messrs Lakshmi Ratan Cotton Mills Co. Ltd., and debit the same to the account of India Supplies as deposit at the usual rate of interest as agreed upon by the partners of the said firm. Thanking you, Yours faithfully, Sd/- R. Ratan Gupta".

The intrinsic evidence in the letter is that the sum of Rs. 4,00,000 was debited to India Supplies as deposit. The words "debited as deposit", were criticised by counsel for the appellant to be meaningless. Too much precision cannot always be expected in regard to use of foreign language by merchants and traders in their short memorandum. The character of deposit is an inherent impression in the writing. The *rozmancha* refers to the letter and is therefore corroborative of the letter and the terms thereof. The letter further shows that the terms were agreed to by the partners of the firm, namely, the partners of India Supplies and of the respondent. The respondent's partner Padampat Singhania gave oral evidence and substantiated the terms of the letter and the respondent's case. Padampat Singhania was the person on behalf of the respondent who carried on the negotiations. His evidence was therefore important. The appellants did not examine themselves and did not (1) 63 I.A. 279.

give any evidence challenging the oral testimony of the respondent's partner. On the contrary, the correctness of the, letter EX. A-5 was accepted by the appellants' witness Ram Ratan Gupta the author of the letter.

The *roznamcha* entry. was proved by Gopi Kishan Saraugi a munim of the plaintiff. The *roznamcha* entry was as follows "4,00,000 India Supply Ke nam Asoj Badi Chhat : 30-9-42 Lakshmiratan Cotton Mill Ki Chithi se apke nam mada deposit karaya panna 2486".

His evidence was that the books were systematically kept on 'mahajani' system in connection with the business. The witness proved the *Khata*, the *roznamcha* and the *nakal bahi* entries. In cross-examination of Gopi Kishan Saraugi it was suggested that the entry under the date 30 September, 1942 in the *roznamcha* was not written at the same time. The suggestion was that there was interpolation of the words "deposit karaya" in the *roznamcha* entry. In cross-examination of Padampat Singhania questions were asked about the *rokar*, *khata*, *nakal bahi* and *roznamcha* entries. Padampat Singhania said that the entry of Rs. 4,00,000 was not recorded in the daily cash book but was recorded in the *roznamcha*. He also said that credit and debit entries were made in the *roznamcha*, Padampat Singhania said that the entries were made by Gopi Kishan Jaipuria who was

in a dying condition at the time the witness gave evidence. It was suggested to Padampat Singhania that the words "de-posit karaya" in the roznamcha entry were not written at the same sitting. Padampat Singhania denied that, Counsel for the appellant contended that in the absence of Gopi Kishan Jaipuria the account books were not proved. This is unacceptable for two reasons. First, the account books were shown in cross-examination of Padampat Singhania and question were asked on the same. It is not open to the appellant to complain of lack of proof of account books when the documents are shown to the witness in cross-examination. Secondly, both Padampat Singhania and Gopi Kishan Saraugi spoke of the proper maintenance and keeping of books of account and that it was not possible to arrange the presence of the writer of the entry. Suggestion of tampering is a serious one. The original entries were called for from the High Court. We had occasion to look into the originals. We are in agreement with the High Court that the suggestion of fabrication is utterly unmeritorious. The words 'deposit karaya' appear without any doubt to have been written at the same time as the rest of the writing. It is in evidence that the reference to the page of the panna under that entry was written later inasmuch as the page of the panna was put on when the panna was put on when the panna book was written.

The most important documentary evidence of the appellant namely, their book of account was not produced. These books of the appellant would have shown how they treated the transaction, namely, whether it was a case of deposit or loan. The irresistible inference from the non-production of books of the appellant would arise that they would have supported the respondents case and that is why they were not produced. The appellant's contention that the background of the transaction was mercantile loan, would be more a conjecture than a conclusion to be arrived at. The financial transactions between the respondent and Lakshmi Ratan Cotton Mills were running accounts. It would, be more consistent to hold that, by allowing India Supplies a deposit of Rs. 4,00,000 India Supplies would be relieved of the situation of repaying the money immediately. It is precisely because of the then inability of India Supplies to repay Lakshmi Ratan Cotton Mills that the parties resorted to the mode of having the use of the money by way of deposit. The transaction was between the appellant, the respondent and Lakshmi Ratan Cotton Mills. All figured in the transaction. A more loan of Rs. 4,00,000 would not have sufficed the needs of the appellant who were then unable to pay the dues of Lakshmi Ratan Cotton Mills. Some of the partners of the appellant and the respondent in the year 1942 were common. It would be more explicable and natural course of events that monies would be kept in deposit with the appellant in order to enable them to have financial accommodation without immediate worry of repayment. The mere fact that money in specie was not paid would not be destructive of deposit. The respondent acted as bankers. The, way in which the respondent made entries in the pass book of the appellant is consistent with their roznamcha, khata and nakal bahi books. It was not a case of the respondent giving loan to the appellant for the obvious reason that the history of the transactions between the appellant and Lakshmi Ratan Cotton Mills show that the appellant had to be put on a footing of financial stability by giving the appellant the use of the sum of Rs. 4,00,000 for a long time. The absence of any negotiable instrument is significant. A hundi or a promissory note would have been consistent with the case of a loan. The relationship between the parties; the surrounding circumstances at the time of the transaction, the pecuniary position of the appellant are all overwhelming features to corroborate the oral as well as the documentary evidence of the respondent that the amount was deposited with the appellant. The award dated 18 January, 1944 has also a tale to tell. There were disputes between the partners of the

various businesses in which the Singhanian and Gupta groups were interested. These disputes were before the arbitrators. One of the terms in the award was that the award in respect of Lakshmi Ratan Cotton Mills and India Supplies "do not cover the advances which either party or their separate firms may have made to all or any of them or their moneys which may be in deposit with them and they shall be payable and paid in their usual course". This direction, in the award shows that there were advances which were in the nature of deposit and were not covered by the award. The award would have evidentiary value to show as to how the parties treated and understood their financial dealings.

It is also significant that when the respondent demanded the money by a letter dated 27 April 1953 (Ex. 7) the appellant in their reply dated 5/6 May, 1953 (Ex. 6) totally denied the claim. The respondent set out all the facts of deposit of the money with advancing loan. The non-production of the appellant's accounts coupled with the appellants staying away from the witness box indicates the inherent infirmities in the appellant's case.

Counsel for the appellant contended that there was a demand for a part of the amount in the year 1943 because Padampat Singhanian said that there was demand in the month of October, 1943 and therefore limitation would start from that date. The view of Calcutta, Bombay and Madras High Courts is that there must be an unqualified demand for the whole sum before the limitation can start in case of demand for return of the amount deposited. (See *Jogendranath Chokerbutty v. Dinkar* (1) *Ram Motigaur v. Naranji* (2) and *Subbaih Chetty & Ors. v. Visalakshgi Achi*) (3) . That is the correct position in law. Counsel for the appellant did not contend to the contrary in view of the consensus of opinion of the different High Courts. It is also important to bear in mind that a demand in the year 1943 for a part of the amount would not be effective because there were common partners in the firms of the respondent and the appellant. For these reasons we are of opinion that the High Court was correct in decreeing the suit. The appeal therefore fails and is dismissed with costs.

G. C.
dismissed.

Appeal

- (1) A.I.R. 1921 Cal. 644
- (2) A.I.R. 1927 Bom. 362
- (3) A.I.R. 1932 Mad. 685