

Weekly Update for Law optional UPSC

A mix of Conceptual, Current/Contemporary Topics

Date: 12th - 18th Feb 2024

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1. Supreme Court Strikes Down Electoral Bonds Scheme

Association for Democratic Reforms & Anr. v. Union of India

In a landmark decision, the Supreme Court on Thursday, February 15, declared the controversial Electoral Bonds (EB) Scheme unconstitutional. The ruling, delivered by a Constitution Bench led by Chief Justice DY Chandrachud, deemed anonymous electoral bonds violative of the right to information guaranteed under Article 19(1)(a) of the Constitution. Justices Sanjiv Khanna, BR Gavai, JB Pardiwala, and Manoj Misra also contributed concurring opinions to the verdict.

Balancing Fundamental Rights

The Chief Justice outlined various standards historically used by courts to balance competing fundamental rights, including the collective interest standard, single proportionality standard, and double proportionality standard. He referenced past cases such as Sahara India Real Estate Corporation Limited v. Securities and Exchange Board of India and Mazdoor Kisan Shakti Sangathan v. Union of India to illustrate the evolution of these standards.

Test for Balancing Rights

A comprehensive test for resolving conflicts between fundamental rights was laid out by the Chief Justice. The test involves assessing the hierarchy between conflicting rights, the suitability and restrictiveness of measures employed, and the proportionality of their impact on each right. Notably, this test aims to maintain equilibrium between conflicting rights.

Application to Electoral Bonds Scheme

Applying the test to Clause 7(4) of the Electoral Bonds Scheme, the Supreme Court found it lacking in balancing the right to informational privacy of contributors with the right to information of voters. The clause, which ensured the confidentiality of contributors' information, was deemed unsuitable and not the least restrictive means to achieve its purpose. Consequently, the entire EB scheme was declared unconstitutional, emphasising the intrinsic anonymity of contributors within the scheme.

2. Director's Liability for Dishonor of Cheque

RAJESH VIREN SHAH V. REDINGTON (INDIA) LIMITED

The Supreme Court, in a significant ruling on Wednesday, February 14, clarified the liability of a company director for the dishonour of a cheque issued by the company after the director's retirement. Justices B.R. Gavai and Sanjay Karol observed that unless credible evidence is presented proving the director's guilt or connivance, they cannot be held liable.

The Court reversed the findings of the High Court, emphasising that under Section 141 of the Negotiable Instruments Act, a director can only be held liable if there is evidence of their involvement or consent in the company's actions. The judgement highlighted that resignations preceding the issuance of the cheques absolved the directors from responsibility.

Quashing of Criminal Proceedings

The accused director had petitioned for the quashing of criminal proceedings initiated under the Negotiable Instruments Act, which had been rejected by the High Court. However, the Supreme Court, after examining the evidence, found no indication of the director's involvement in the alleged crime and subsequently quashed the proceedings.

Precedent and Legal Standards

The Court cited precedent and legal standards to support its decision, including the case of S.M.S Pharmaceuticals, which emphasised the need for credible evidence before subjecting a director to trial. Additionally, the Court invoked Section 482 of the Criminal Procedure Code to prevent the abuse of legal processes.

3. Consumer Complaint Against Golbibo and Aeroflot Airlines

Mr. Anshul Sharma filed a consumer complaint against Golbibo and Aeroflot Airlines after facing multiple issues with his booked flight. Despite booking tickets through Golbibo's website, he was not informed about the cancellation of his flight by Aeroflot Airlines, resulting in significant inconvenience and financial losses.

Allegations and Proceedings

Mr. Sharma's journey was disrupted due to the cancellation of his flight, which he discovered upon reaching the airport. He was compelled to accept alternative flights with longer routes and layovers, incurring additional expenses for food, phone calls, and rearranged travel plans. Additionally, despite requesting vegetarian food, he was served non-vegetarian meals during his journey.

District Commission's Observations

The District Consumer Disputes Redressal Commission in Panchkula found both Golbibo and Aeroflot Airlines liable for negligence and deficiency in services. It noted that while Aeroflot Airlines had informed Golbibo about the flight cancellation, Golbibo failed to promptly inform the complainant. Additionally, Aeroflot Airlines was held accountable for not providing vegetarian food despite the request.

Verdict and Compensation

As a result of the findings, the District Commission directed both Golbibo and Aeroflot Airlines to compensate Mr. Sharma. They were ordered to pay Rs. 10,000/- for mental agony and harassment caused to the complainant, along with Rs. 5,500/- as litigation charges.

4. Love and State Action

The Allahabad High Court, through Justice Rahul Chaturvedi's bench, made significant observations regarding love between individuals, particularly minors or those on the verge of majority. The Court emphasised that true love cannot be controlled by the rigours of the law or State action.

Justice Chaturvedi's bench quashed criminal proceedings against three boys facing separate FIRs for alleged kidnapping, noting that the girls involved had willingly entered into relationships and marriages with them. The Court highlighted the importance of considering the happiness and future of individuals against the application of the law.

Emphasis on Humanitarian Approach

The Court stressed the need for a humane approach when dealing with such cases, especially when the couples involved are already married or expecting children. It considered the statements of the alleged victims, asserting their choice to be with their partners, and emphasised the injustice of subjecting them to criminal prosecution.

Quashing of Criminal Proceedings

In light of the circumstances and the potential impact on the lives of the couples and their families, the Court, exercising its extraordinary powers under Section 482 of the Criminal Procedure Code, quashed all four petitions and criminal proceedings against the accused.

5. Karnataka High Court Quashes Section 498A Case Against Woman Accused of Adultery

The Karnataka High Court, in **ABC AND State By Mysuru Women Police Station & ANR**, quashed a case under Section 498A of the Indian Penal Code (IPC) against a woman accused of being in an illicit relationship with the complainant's husband. Justice K Natarajan's bench held that the allegations against the woman amounted to adultery and did not justify invoking Section 498A, which deals with cruelty against married women.

The court emphasised that the woman, accused No. 9 in the case, was not a family member or in-law and therefore could not be implicated under Section 498A. Referring to the Supreme Court's decision in the case of **Joseph Shine vs. Union of India (2019)**, which decriminalised adultery, the court highlighted that adultery is not punishable under the IPC and should be addressed through civil remedies in matrimonial cases.

Arguments and Counterarguments

The complainant alleged that her husband was involved in an extramarital affair with accused No. 9, who was a childhood friend of the husband. The complainant further accused No. 9 of conspiring with others to threaten her. However, the court found insufficient grounds to implicate accused No. 9 under Section 498A.

Quashing of Proceedings

After careful consideration of the allegations and evidence presented, the court quashed the case against accused No. 9 and also quashed proceedings against other relatives of the complainant. It noted that there was no material to proceed with the trial against them, as they had not stayed together with the complainant and her husband during their marital life.

6. Case of the Week

Khan Gul v. Lakha Singh

In Khan Gul v. Lakha Singh, adjudicated by the Lahore High Court on April 2, 1928, pivotal principles of contract law were deliberated, notably regarding the capacity of minors to engage in contractual agreements and the application of estoppel in scenarios involving minors.

The crux of the case unfolded when the plaintiff, Khan Gul, procured a 50% share of a property from the defendant, Lakha Singh, who, despite being a minor, deceitfully concealed his true age. The transaction amounted to Rs. 17,500, with an upfront cash payment of Rs. 8,000 and the remaining sum secured through a promissory note. However, upon completion of the transaction, the defendant reneged on transferring possession of the property, prompting the plaintiff to initiate legal action seeking either possession of the property or reimbursement of the purchase price along with interest.

Initially, the trial court ruled in favour of the plaintiff, citing estoppel and asserting that the minor defendant could not avail himself of the defence of minority after deceitfully misrepresenting his age. However, this decision was contested, raising pertinent legal questions, particularly whether a minor who falsely presents themselves as of legal age to induce contractual engagement can be stopped from asserting their actual minority status as a defence.

In its deliberation, the court determined that minors are not bound by estoppel pursuant to Section 115 of the Indian Evidence Act since the principle of estoppel cannot negate contracts entered into by minors. It emphasised that minors, by legal mandate, lack the capacity to enter into binding contracts, rendering any such contracts void ab initio. This judicial pronouncement aligns with the protective ethos of the Indian Contract Act, safeguarding minors from undue contractual obligations beyond their legal competence.

Moreover, the court delved into the doctrine of restitution, acknowledging that while minors cannot be held contractually liable, they may be equitably compelled to return any benefits accrued from misrepresenting their age.

7. Repeated PYQ

Q:- "The test of contractual intention is objective, not subjective." Discuss.

In contract law, the determination of whether a legally binding contract exists between parties hinges on the objective test of contractual intention rather than subjective intentions. This principle underscores that the subjective beliefs or intentions of the parties involved are not the decisive factor; rather, it is the reasonable interpretation of their conduct and expressions in light of the surrounding circumstances.

A landmark case illustrating the objective test of contractual intention is **Rose & Frank Co v. J.R. Crompton & Bros Ltd.** In this case, an exhaustive agreement was drafted between American and English firms for their business dealings. Despite containing a clause expressly stating that the arrangement was not a formal legal agreement, one party sought legal action for breach when the agreement was terminated. The court held that the absence of an intention to create legal relations negated the existence of a binding contract, emphasising the objective nature of contractual intent.

Moreover, the objective test applies not only to business dealings but also to family and social arrangements. In **McGregor v. McGregor**, a binding contract was established between spouses regarding financial support and refraining from pledging credit. The court's decision emphasised that the intention to create legal consequences must be objectively inferred from the parties' conduct and the circumstances surrounding the agreement.

Burden of Proof

Furthermore, the burden of proof lies on the party asserting the absence of legal obligations. In cases such as **Merritt v. Merritt**, where an agreement between spouses regarding property ownership was upheld, and **Gould v. Gould**, where uncertainty in the terms indicated no intention to create legal relations, courts analyse the objective evidence to determine contractual intent.

Business Transactions

In commercial transactions, the objective test remains paramount. In agreements such as providing loan facilities or investment in partnerships, courts scrutinise the parties' expressions and conduct to ascertain their objective intention to be legally bound. Notably, in *Rose & Frank Co v. J.R. Crompton & Bros Ltd*, the inclusion of a clause expressly disclaiming legal jurisdiction underscored the absence of a contractual intention.

The objective test of contractual intention serves as a cornerstone in contract law, ensuring that agreements are not formed arbitrarily but rather based on the reasonable expectations of the parties involved. By focusing on observable conduct and surrounding circumstances, courts uphold the integrity and predictability of contractual relationships, safeguarding the interests of all parties involved.

