RESEARCH QUESTION

> *"What is the legal process and timeline under Section* 138 *of the Negotiable Instruments Act*, 1881 *when a cheque is dishonoured in India, including the demand notice requirement, limitation periods, and what courts have held about compounding and settlement?"*

What is the statutory timeline, procedural process, and compounding jurisprudence under Section 138 of the Negotiable Instruments Act, 1881?

TL;DR

The legal process under Section 138 of the Negotiable Instruments Act, 1881, dictates strict timelines: presentation of the cheque within validity, a written demand notice within 30 days of dishonour, and a 15-day waiting period for payment, failing which a complaint must be filed within one month. The Supreme Court in *Yogendra Pratap Singh v. Savitri Pandey* (2014) established that a complaint filed before the expiry of the 15-day notice period is premature and legally non-existent, requiring the filing of a fresh complaint. Furthermore, while the offence is quasi-criminal and compoundable at any stage, compounding generally requires mutual consent, and courts cannot compel an unwilling complainant to settle.

VERIFIED CASES	STATUTES	LATEST RULING
25 14 *High Courts* · 11 *SC*	4	2025 *High Court of Punjab and Haryana*

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I. Detailed Analysis

KEY PRINCIPLES ESTABLISHED

01 **Presumption of Demand Notice Service**

A legal notice sent by registered post to the correct address of the drawer satisfies the mandatory requirement of "giving notice" under Section 138, creating a rebuttable presumption of service without requiring specific averments of evasion, as established in *C.C. Alavi Haji v. Palapetty Muhammed* (2007).

02 **Strictness of Notice Demand Contents**

To sustain a complaint, the demand notice must specify the exact amount due under the dishonoured cheque, and an omnibus demand for a larger, lump-sum outstanding debt without separating the cheque amount is invalid in law, as held in *M/s. Rahul Builders v. M/s. Arihant Fertilizers and Chemical* (2007).

03 **Limitation Period Calculation Rule**

In calculating the one-month limitation period under Section 142 for filing a complaint, the specific day on which the cause of action accrued must be excluded as per Section 12(1) of the Limitation Act, 1963, as settled in *Subodh S. Salaskar v. Jayprakash M. Shah & Anr.* (2008).

04 **Effect of Settlement Agreements on Original Complaints**

Once parties voluntarily enter into a settlement agreement, the agreement subsumes and effaces the original Section 138 complaint, and a subsequent breach of the settlement gives rise to a fresh cause of action, preventing the complainant from prosecuting both complaints simultaneously, as held in *M/S Gimpex Private Limited v. Manoj Goel* (2021).

05 **Strict Adherence to Summary Trial Procedure**

To ensure the expeditious disposal of Section 138 cases, Magistrate courts across India must adopt a uniform summary trial procedure under Sections 262 to 265 of the CrPC, utilizing modern methods like email summons and affidavit-based evidence, as directed in *Indian Bank Association v. Union of India* (2014).

06 Directors' Personal Penal Liability Post-Insolvency

The personal penal liability of directors and signatories under the NI Act is distinct from the company's liabilities and remains unaffected by corporate dissolution or resolution plans under the Insolvency and Bankruptcy Code (IBC), as affirmed in *Ajay Kumar Radheyshyam Goenka v. Tourism Finance Corporation of India Ltd.* (2023).

HOW THE COURTS HAVE APPLIED THIS

SUPREME COURT POSITION	The Apex Court maintains that Section 138 is a quasi-criminal and primarily compensatory remedy where the threat of imprisonment serves to enforce recovery, and while the offence is compoundable, procedural timelines must be strictly observed.
HIGH COURT VARIATIONS	High Courts have reinforced the strictness of the statutory timelines, holding that while delay in filing a complaint can be condoned under the proviso to Section 142(b) upon showing sufficient cause, any delay in issuing the statutory 30-day demand notice under Section 138(b) cannot be condoned by any court as there is no statutory provision for doing so, as illustrated in *Roshanlal Gupta v. Ramswaroop Vishwakarma* (2019). Furthermore, compounding of the offence under Section 147 is permissible at any stage of litigation, including at the revisional stage, where a progressive approach to "justice at the doorstep" allows setting aside conviction upon a completed compromise, as seen in *V.B. Thiyaga Moorthy v. S. Lokesh* (2025).

UNSETTLED AREAS OR CAVEATS

While compounding is highly encouraged to clear court backlogs, courts cannot compel a complainant to compound the offence without their voluntary and mutual consent, and unilateral deposits of the cheque amount do not automatically entitle an accused to quashing if the complainant resists compounding, as highlighted in *Varsha Tukaram Joshi v. Sandeep Jugalkishor Karwa* (2025).

II. Statutory Provisions

4 PROVISIONS

SECTION 138, NEGOTIABLE INSTRUMENTS ACT, 1881 — DISHONOUR OF CHEQUE FOR INSUFFICIENCY, ETC., OF FUNDS IN THE ACCOUNT

Establishes that dishonouring a cheque due to insufficient funds is a criminal offence punishable by up to two years of imprisonment or a fine up to twice the cheque amount, provided specific demand notice and payment timelines are met.

> "Where any cheque drawn by a person on an account maintained by him with a banker for payment of any amount of money to another person from out of that account for the discharge, in whole or in part, of any debt or other liability, is returned by the bank unpaid, either because of the amount of money standing to the credit of that account is insufficient to honour the cheque or that it exceeds the amount arranged to be paid from that account by an agreement made with that bank, such person shall be deemed to have committed an offence and shall, without prejudice to any other provision of this Act, be punished with imprisonment for a term which may be extended to two years, or with fine which may extend to twice the amount of the cheque, or with both:
>
> Provided that nothing contained in this section shall apply unless--
>
> (a) the cheque has been presented to the bank within a period of six months from the date on which it is drawn or within the period of its validity, whichever is earlier;
>
> (b) the payee or the holder in due course of the cheque, as the case may be, makes a demand for the payment of the said amount of money by giving a notice; in writing, to the drawer of the cheque, within thirty days of the receipt of information by him from the bank regarding the return of the cheque as unpaid; and
>
> (c) the drawer of such cheque fails to make the payment of the said amount of money to the payee or, as the case may be, to the holder in due course of the cheque, within fifteen days of the receipt of the said notice.
>
> Explanation.-- For the purposes of this section, debt of other liability means a legally enforceable debt or other liability." *Cited in*: Barun Bhanot v. M/S Annie Impexpo Marketing Pvt Ltd, Gujral Tours & Travels P. Ltd. v. Anup Gulati, D. Babu v. M/s Bhartia Industries Ltd., Indra Kumar Patodia v. Reliance Industries Ltd., Yogendra Pratap Singh v. Savitri Pandey, M/s. Rahul Builders v. M/s. Arihant Fertilizers and Chemical, Ajay Kumar Radheyshyam Goenka v. Tourism Finance Corporation of India Ltd., Yogendra Pratap Singh v. Savitri Pandey & Anr., Indian Bank Association v. Union of India, M/S Gimpex Private Limited v. Manoj Goel, A.V. Raja Kumari v. P. Subbarama Naidu, C.C. Alavi Haji v. Palapetty Muhammed, Varsha Tukaram Joshi v. Sandeep Jugalkishor Karwa, Afrojkhan Bashirkhan Pathan v. Mandodara Madhavrao Kendre, Nakoda Gems & Jewellery v. Pragati Diamonds, Raj Narayan Singh v. State of Jharkhand, G.D. Singla v. Alice Mathew, Roshanlal Gupta v. Ramswaroop Vishwakarma, Yogendra Singh Jadon v. Brajendra Singh Jadon, Rajeshwar Prasad Bhardwaj v. State of U.P.

SECTION 140, NEGOTIABLE INSTRUMENTS ACT, 1881 — DEFENCE WHICH MAY NOT BE ALLOWED IN ANY PROSECUTION UNDER SECTION 138

Prevents the drawer of a dishonoured cheque from using the defence that they had no reason to believe the cheque would be dishonoured upon presentment.

> "It shall not be a defence in a prosecution for an offence under section 138 that the drawer had no reason to believe when he issued the cheque that the cheque may be dishonoured on presentment for the reasons stated in that section." *Cited in*: None

SECTION 142, NEGOTIABLE INSTRUMENTS ACT, 1881 — COGNIZANCE OF OFFENCES

Prescribes the conditions and limitation periods for courts to take cognizance of written complaints under Section 138, and determines the proper court jurisdiction.

> "Notwithstanding anything contained in the Code of Criminal Procedure, 1973 (2 of 1974), (a) no court shall take cognizance of any offence punishable under section 138 except upon a complaint, in writing, made by the payee or, as the case may be, the holder in due course of the cheque; (b) such complaint is made within one month of the date on which the cause of action arises under clause (c) of the proviso to section 138: Provided that the cognizance of a complaint may be taken by the Court after the prescribed period, if the complainant satisfies the Court that he had sufficient cause for not making a complaint within such period; (c) no court inferior to that of a Metropolitan Magistrate or a Judicial Magistrate of the first class shall try any offence punishable under section 138.
>
> The offence under section 138 shall be inquired into and tried only by a court within whose local jurisdiction,-- (a) if the cheque is delivered for collection through an account, the branch of the bank where the payee or holder in due course, as the case may be, maintains the account, is situated; or (b) if the cheque is presented for payment by the payee or holder in due course, otherwise through an account, the branch of the drawee bank where the drawer maintains the account, is situated." *Cited in*: Gujral Tours & Travels P. Ltd. v. Anup Gulati, Indra Kumar Patodia v. Reliance Industries Ltd., Yogendra Pratap Singh v. Savitri Pandey & Anr., A.V. Raja Kumari v. P. Subbarama Naidu, Afrojkhan Bashirkhan Pathan v. Mandodara Madhavrao Kendre, V.B. Thiyaga Moorthy v. S. Lokesh

SECTION 92, NEGOTIABLE INSTRUMENTS ACT, 1881 — DISHONOUR BY NON-PAYMENT

Defines general dishonour by non-payment when the maker, acceptor, or drawee defaults on payment after being required to pay.

> "A promissory note, bill of exchange or cheque is said to be dishonoured by non-payment when the maker of the note, acceptor of the bill or drawee of the cheque makes default in payment upon being duly required to pay the same." *Cited in*: None

III. Cases Discussed

25 CASES · SUMMARY TABLE

#	CASE TITLE	COURT	YEAR	KEY HOLDING
01	*Ajay Kumar Radheyshyam Goenka v. Tourism Finance Corporation of India Ltd.* ESCR010003122023	SUPREME COURT OF INDIA	2023	Directors' penal liability continues despite corporate insolvency resolution under the IBC.
02	*Roshanlal Gupta v. Ramswaroop Vishwakarma* MPHC010522342018	HIGH COURT OF MADHYA PRADESH	2019	Courts lack authority to condone delays in sending the statutory demand notice.
03	*Yogendra Pratap Singh v. Savitri Pandey* ESCR010001302014	SUPREME COURT OF INDIA	2014	Premature complaints filed before the 15-day notice period are not maintainable.
04	*D. Babu v. M/s Bhartia Industries Ltd.* DLHC011375532007	HIGH COURT OF DELHI	2009	Complaints filed beyond the one-month limitation period without condonation are time-barred.
05	*Yogendra Pratap Singh v. Savitri Pandey & Anr.* ESCR010003472012	SUPREME COURT OF INDIA	2012	Referred the issue of premature complaints under Section 138 to a larger bench.
06	*Rajeshwar Prasad Bhardwaj v. State of U.P.* UPHC010940622004	ALLAHABAD HIGH COURT	2018	Reaffirmed that complaints filed before the 15-day notice period matures are non-maintainable.
07	*C.C. Alavi Haji v. Palapetty Muhammed* ESCR010010442007	SUPREME COURT OF INDIA	2007	Notice correctly addressed and sent via registered post creates a presumption of service.
08	*A.H. Fashion Karma Pvt. Ltd. v. State of Punjab* PHHC010995862025	HIGH COURT OF PUNJAB AND HARYANA	2025	Notice demanding the specific cheque amount is valid; factual disputes require trial.
09	*V.B. Thiyaga Moorthy v. S. Lokesh* HCMA011485142021	MADRAS HIGH COURT	2025	Permitted compounding of the offence at the revisional stage based on a compromise.
10	*Surinder Singh v. Punjab State Warehousing Corporation* PHHC010275722007	HIGH COURT OF PUNJAB AND HARYANA	2009	Adding new accused after the limitation period expires is legally impermissible.
11	*M/s. Rahul Builders v. M/s. Arihant Fertilizers and Chemical* ESCR010002042007	SUPREME COURT OF INDIA	2007	An omnibus demand notice without specifying the cheque amount is invalid.
12	*G.D. Singla v. Alice Mathew* KLHC010213562012	HIGH COURT OF KERALA	2017	Conviction unsustainable if the accused proves the underlying liability was discharged.

#	CASE TITLE	COURT	YEAR	KEY HOLDING
13	*Barun Bhanot v. M/S Annie Impexpo Marketing Pvt Ltd* DLHC010012162018	HIGH COURT OF DELHI	2025	Acquittal upheld where demand notice was defective and no clear debt existed.
14	*Subodh S. Salaskar v. Jayprakash M. Shah & Anr.* ESCR010001412008	SUPREME COURT OF INDIA	2008	Prescribed limitation periods are substantive, and the day cause of action accrued is excluded.
15	*Varsha Tukaram Joshi v. Sandeep Jugalkishor Karwa* HCBM030175622024	BOMBAY HIGH COURT	2025	Compounding of the offence requires the mutual consent of both parties.
16	*Indra Kumar Patodia v. Reliance Industries Ltd.* ESCR010001172012	SUPREME COURT OF INDIA	2012	An unsigned complaint verified on oath before the Magistrate is valid.
17	*Indian Bank Association v. Union of India* ESCR010005262014	SUPREME COURT OF INDIA	2014	Mandated nationwide guidelines for summary trials to expedite cheque dishonour cases.
18	*A.V. Raja Kumari v. P. Subbarama Naidu* ESCR010006372004	SUPREME COURT OF INDIA	2004	Service of notice is evaluated at trial if returned as "house locked".
19	*M/S Gimpex Private Limited v. Manoj Goel* ESCR010006082021	SUPREME COURT OF INDIA	2021	Settlement agreements replace the original complaint, preventing simultaneous parallel prosecutions.
20	*Raj Narayan Singh v. State of Jharkhand* JHHC010096762010	HIGH COURT OF JHARKHAND	2021	Conviction set aside as the complaint was premature without proving notice service.
21	*Nakoda Gems & Jewellery v. Pragati Diamonds* HCMA011470622022	MADRAS HIGH COURT	2024	Premature filing cannot be cured by letting the 15-day period elapse post-complaint.
22	*N.K. Wahi v. Shekhar Singh* ESCR010006632007	SUPREME COURT OF INDIA	2007	Prosecution of directors requires specific allegations of their role in business conduct.
23	*Yogendra Singh Jadon v. Brajendra Singh Jadon* MPHC030031912023	HIGH COURT OF MADHYA PRADESH	2023	Appeal rejected where demand notice was delayed and proper service unestablished.
24	*Afrojkhan Bashirkhan Pathan v. Mandodara Madhavrao Kendre* HCBM030314282018	BOMBAY HIGH COURT	2019	Premature complaints are non-maintainable and must be quashed, allowing fresh filing.
25	*Gujral Tours & Travels P. Ltd. v. Anup Gulati* DLHC010564632009	HIGH COURT OF DELHI	2009	Subsequent personal service does not generate a fresh cause of action.

IV. Case Details

25 CASE FILES

01 Ajay Kumar Radheyshyam Goenka v. Tourism Finance Corporation of India Ltd.

SUPREME COURT OF INDIA · 2023-03-15 · 2023 INSC 232

This case addressed whether criminal proceedings under Section 138 of the Negotiable Instruments Act against a company's directors can continue after the company undergoes a resolution process under the Insolvency and Bankruptcy Code (IBC). The Supreme Court ruled that criminal liability for directors is personal and does not extinguish merely because the corporate debt is settled or the company is dissolved through an approved resolution plan.

HELD The Supreme Court held that the dissolution of a company under the IBC does not absolve its signatories or directors of personal penal liability under Section 138 of the Negotiable Instruments Act. While criminal proceedings against the corporate debtor itself terminate under Section 32A of the IBC, they will continue in accordance with law against the individuals.

> “But if in spite of compromise, if he files a complaint and court finds that what is compromis ed is a compoundable offence, depending upon the facts an d circumstances of each case Magistrate can refuse to take cognizance, or acquit the accused as offence was compoun ded or the complaint can be quashed in proceedings under Secti on 482 of the CrPC. In a compromise, consensus between the p arties to give and take is more important and in a compounding, decision of the victim of the offence not to prosecute and not to continue with prosecution is more important.”

SUPREME COURT OF INDIA · 2023 | SOURCE ESCR010003122023

02 Roshanlal Gupta v. Ramswaroop Vishwakarma

HIGH COURT OF MADHYA PRADESH · 2019-05-27 · MCRC/41565/2018

The petitioner sought to quash a criminal complaint filed against him under Section 138 of the Negotiable Instruments Act. The core issue was whether a trial court has the authority to condone a delay in issuing the statutory demand notice required under Section 138(b) of the Act.

HELD The High Court held that there is no provision under the Negotiable Instruments Act to condone a delay in sending the statutory demand notice under Section 138(b). The court's power to condone delay is strictly limited to the filing of the complaint under Section 142(2), and cannot be extended to cover the notice period through judicial interpretation.

> "It is evident from the aforesaid section that notice under Secti on 138 (b) of Negotiable Instrument Act must be given in writing by the drawer of cheque within 30 days from the receipt of the informat ion from the Bank by him. It is evident from the record of complaint under M.Cr.C. No. 41565/2018. Section 138 of Negotiable Instrument Act that respondent-complainant had received intimation from the Bank on 20/12/2013 but he has not given demand notice within thirty days to the petitioner-accused. He gave a notice after 31 days, so notice was given after 30 days and the said delay cannot be condoned under the provision of Negotiable Instrument Act."

HIGH COURT OF MADHYA PRADESH · 2019 | SOURCE MPHC010522342018

03 Yogendra Pratap Singh v. Savitri Pandey

SUPREME COURT OF INDIA · 2014-09-19 · 2014 INSC 650

This case concerns the maintainability of a criminal complaint filed under Section 138 of the Negotiable Instruments Act before the mandatory 15-day notice period has elapsed. The Supreme Court held that such a complaint is not merely premature but is legally non-existent because no offence is committed until the notice period expires.

HELD The Supreme Court held that a complaint filed under Section 138 before the expiry of the mandatory 15-day notice period is premature and legally non-existent. A court lacks jurisdiction to take cognizance of such a complaint, and the defect cannot be cured by the subsequent passage of time or the court waiting for the period to expire.

> "Despite the fact that the complaint was presented before the E expiry of 15 days of service of notice and the Magistrate took cognizance also before the expiry of 15 days, the High Court strangely held that a premature complaint under Section 138 of the NI Act cannot be quashed on the ground of pre-maturity since there was no plea on the side of the accused that he would F have paid the cheque amount had the complainant given it the required time."

SUPREME COURT OF INDIA · 2014 | SOURCE ESCR010001302014

04 D. Babu v. M/s Bhartia Industries Ltd.

HIGH COURT OF DELHI · 2009-03-04 · CRL.M.C./3214/2007

This petition sought to quash a criminal complaint filed under Section 138 of the Negotiable Instruments Act. The petitioner argued that the complaint was barred by limitation because the respondent had previously issued a formal demand letter on March 26, 2007, which constituted the initial notice of demand.

HELD The High Court held that the one-month limitation period under Section 142(b) begins to run immediately upon the expiry of the 15-day period from the service of the first valid demand notice. Payees cannot create a fresh cause of action on the same cheque by issuing a second notice, and the complaint was quashed as time-barred in the absence of an application for condonation of delay.

> "One of the indispensable factors to form the cause of action envisaged in Section 138 of the NI Act is contained in clause (b) of the proviso to that section. It involves the making of a demand by giving a notice in writing to the drawer of the cheque "within fifteen days of the receipt of information by him from the bank regarding the return of the cheque as unpaid". If no such notice is given within the said period of 15 days, no cause of action could have been created at all."

HIGH COURT OF DELHI · 2009 | SOURCE DLHC011375532007

05 Yogendra Pratap Singh v. Savitri Pandey & Anr.

SUPREME COURT OF INDIA · 2012-04-03 · 2012 INSC 161

This case concerns the procedural requirements for filing a complaint under Section 138 of the Negotiable Instruments Act, 1881. Given the split in judicial opinion and the importance of the procedural requirements under Section 138, the Court referred these questions to a larger bench for an authoritative resolution.

HELD The Supreme Court referred the questions regarding premature complaints to a larger bench, noting a split in judicial opinions. It highlighted that the three conditions under the proviso to Section 138 must be strictly satisfied before an offence can be said to have been committed.

> "Proviso to Section 138, however, is all important and stipulates three distinct conditions precedent, which must be satisfied before the dishonour of a cheque can constitute an G offence and become punishable. The first condition is that the cheque ought to have been presented to the bank within a period of six months from the date on which it is drawn or within the period of its validity, whichever is earlier. The second condition is that the payee or the holder in due course of the H cheque, as the case may be, ought to make a demand for the YOGENDRA PRATAP SINGH v. SAVITRI PANDEY & 201 ANR. payment of the said amount of money by giving a notice in A writing, to the drawer of the cheque, within thirty days of the receipt of information by him from the bank regarding the return of the cheque as unpaid."

SUPREME COURT OF INDIA · 2012 | SOURCE ESCR010003472012

06 Rajeshwar Prasad Bhardwaj v. State of U.P.

ALLAHABAD HIGH COURT · 2018-12-11 · A482/11949/2004

This case concerned an application to quash criminal proceedings under Section 138 of the Negotiable Instruments Act. Relying on Supreme Court precedent, the High Court held that such a premature complaint is not maintainable.

HELD The High Court held that a Section 138 complaint brought before the expiry of the 15-day notice period is premature and not maintainable. Following Supreme Court precedent, it quashed a complaint filed prematurely and refused to allow the presentation of a fresh complaint given the extreme delay of 14 years.

> "Subsequent passage of time will not count towards the scheduled number of days, envisaged under clause (c) of Proviso to Section 138 of the Act, for a valid cause of action can accrue only on the expiry of 15 days from the date of receipt of notice of demand, and not earlier. The cause of action must have accrued to the drawer on the day when the complaint is filed; it makes no difference that the period of 15 days passes by, after the complaint is filed."

ALLAHABAD HIGH COURT · 2018 | SOURCE UPHC010940622004

07 C.C. Alavi Haji v. Palapetty Muhammed

SUPREME COURT OF INDIA · 2007-05-18 · 2007 INSC 628

This case concerns the mandatory requirement of providing notice to a cheque drawer under Section 138 of the Negotiable Instruments Act, 1881. The Court held that when a notice is sent by registered post to the drawer's correct address, the statutory requirement of 'giving notice' is satisfied.

HELD The Supreme Court held that once a statutory demand notice under Section 138 is sent by registered post to the correct address of the drawer, the requirement of giving notice is legally satisfied. A presumption of service arises under Section 27 of the General Clauses Act, and the complainant is not required to aver that the accused deliberately avoided service.

> "When notice is sent by registered post by correctly addressing the drawer of the cheque, and statement to that effect in the complaint has been made, mandatory requirement of issue of notice in terms of clause (b) OJ proviso to s. 138 stands complied with-It is unnecessary to D further aver in the complaint that service of notice was evaded by accused or that he had a role to play in return of notice unserved"

SUPREME COURT OF INDIA · 2007 | SOURCE ESCR010010442007

08 A.H. Fashion Karma Pvt. Ltd. v. State of Punjab

HIGH COURT OF PUNJAB AND HARYANA · 2025-07-31 · CRM-M/36925/2025

The petitioners sought to quash a criminal complaint filed against them under Section 138 of the Negotiable Instruments Act for the dishonour of a cheque. They argued that the legal notice served by the respondent was defective for failing to account for partial payments already made, rendering the demand omnibus.

HELD The High Court observed that while a legal demand notice must clearly indicate the existence and extent of liability, it must specify the exact amount due under the dishonoured cheque. The court rejected the plea to quash the complaint on the ground of disputed partial payments, holding that such issues of fact must be decided at trial.

> "Service of a notice, it is trite, is imperativ e in character for maintaining a complaint. It creates a legal fiction . Operation of Section 138 of the Act is limited by the proviso. W when the proviso applies, the main Section would not. Unless a notic e is served in conformity with Proviso (b) appended to Section 138 of the Act, the complaint petition would not be maintainable."

HIGH COURT OF PUNJAB AND HARYANA · 2025 | SOURCE PHHC010995862025

09 V.B. Thiyaga Moorthy v. S. Lokesh

MADRAS HIGH COURT · 2025-01-22 · CRL RC/894/2021

This criminal revision case arose from a conviction under Section 138 of the Negotiable Instruments Act regarding a dishonoured cheque issued for a loan repayment. During the pendency of the revision petition before the High Court, the parties reached a settlement through a joint memorandum of compromise.

HELD The High Court held that parties are free to compound a Section 138 offence at any stage of the litigation, including during revision or after conviction. In light of the compensatory purpose of the Act, the court permitted the compounding of the offence under Section 147 of the NI Act and set aside the petitioner's conviction and sentence.

> "In reference to offence under section 138 of N.I. Act read w ith section 147 of the said Act, the parties are at liberty to com compound the matter at any stage even after the dismissal of the revision/appeal. Even a convict undergoing imprisonment with the liability to pay t he amount of fine imposed by the court and/or under an obligation to pay th e amount of compensation if awarded, as per the scheme of N.I. Act, can compound the matter."

MADRAS HIGH COURT · 2025 | SOURCE HCMA011485142021

10 Surinder Singh v. Punjab State Warehousing Corporation

HIGH COURT OF PUNJAB AND HARYANA · 2009-11-12 · CRM-M/39208/2007

This case concerns a petition to quash criminal proceedings under Section 138 of the Negotiable Instruments Act. The respondent sought to add the remaining partners—the petitioners—as co-accused over five years after the initial complaint following a partner's death.

HELD The High Court held that the court's jurisdiction to take cognizance of an offence under Section 138 is strictly limited to the prescribed statutory period. It ruled that adding new partners of a firm as co-accused long after the expiry of the limitation period is barred, as criminal procedure does not permit late amendments to add new accused once the limitation has run out.

> “No court shall take cognizance of any offence punishable under section 138 except upon a complaint, in writing, made by the payee or, as the case may be, the holder in due course of the cheque; -15- CRM No. 39208-M of 2007 (O/M). (b) such complaint is made within one month of the date on which the cause-of-action arises under clause (c) of the proviso to section 138;”

HIGH COURT OF PUNJAB AND HARYANA · 2009 | SOURCE PHHC010275722007

11 M/s. Rahul Builders v. M/s. Arihant Fertilizers and Chemical

SUPREME COURT OF INDIA · 2007-11-02 · 2007 INSC 1129

This case concerns the validity of a notice sent under Section 138 of the Negotiable Instruments Act, 1881, following the dishonour of a cheque. The appellant had issued a notice demanding payment of a larger outstanding debt that included the amount of the dishonoured cheque but failed to specifically demand payment of the cheque amount itself.

HELD The Supreme Court held that service of notice in strict conformity with Section 138 proviso (b) is an absolute condition precedent for maintaining a complaint. An omnibus notice that requests payment of outstanding bills without making a specific, clear demand for the payment of the cheque amount itself does not satisfy the statutory requirements.

> “Unless a notice is served in conformity -~ with Proviso (b) appended to Section 138 of the Act, the complaint petition would not be maintainable. The Parliament while enacting G the said provision consciously imposed certain conditions. One of the conditions was service of a notice making demand of the payment of the amount of cheque as is evident from the use of the phraseology \"payment of the said amount of money\".”

SUPREME COURT OF INDIA · 2007 | SOURCE ESCR010002042007

12 G.D. Singla v. Alice Mathew

HIGH COURT OF KERALA · 2017-11-17 · CRL.REV.PET/989/2012

This case concerns a criminal revision petition filed against a conviction under Section 138 of the Negotiable Instruments Act regarding the dishonour of three cheques. The High Court reviewed the evidence and concluded that the accused successfully established, by a preponderance of probability, that the liability had been discharged.

HELD The High Court held that if a statutory demand notice is sent after the outer limitation period prescribed in Section 138 proviso (b), the criminal action cannot be validly triggered. Additionally, since the accused proved by a preponderance of probabilities that the underlying financial liability was settled, the conviction was unsustainable.

> "It has been clearly held by a catena of rulings of the Apex Court as well as of various High Courts, more particularly in the decision as in Sivakumar v. Natarajan, reported in (2009) 13 SCC 623, that if statutory demand notices are sent after the expiry of the outer time limit prescribed in proviso (b) to Section 138 of the NI Act, then the complainant cannot be validly and lawfully triggered in action."

HIGH COURT OF KERALA · 2017 | SOURCE KLHC010213562012

13 Barun Bhanot v. M/S Annie Impexpo Marketing Pvt Ltd

HIGH COURT OF DELHI · 2025-06-09 · ITA/45/2018

This case involved a complaint under Section 138 of the Negotiable Instruments Act regarding dishonoured cheques. The trial court had acquitted the respondents, noting that the petitioner failed to provide a valid legal demand notice, as it lacked specific details regarding the cheques and the outstanding debt.

HELD The High Court observed that serving a valid demand notice is a mandatory condition precedent under Section 138(b) of the NI Act. If a notice is vague or cannot be severed from non-cheque liabilities, it is invalid. Since the respondents rebutted the statutory presumption on a preponderance of probabilities, their acquittal was upheld.

> "While Section 138 of the NI Act does not mandate that a demand notice can only represent the amount unpaid under the cheque and no other expenses, however, the same should be severable from the cheque amount failing which the demand notice would be invalid."

HIGH COURT OF DELHI · 2025 | SOURCE DLHC010012162018

14 Subodh S. Salaskar v. Jayprakash M. Shah & Anr.

SUPREME COURT OF INDIA · 2008-08-01 · 2008 INSC 890

The dispute involved a criminal complaint for the dishonour of cheques under Section 138 of the Negotiable Instruments Act. The Supreme Court found that the complaint was filed beyond the statutory limitation period and that the 2002 amendment allowing courts to condone such delays could not be applied retrospectively to this case.

HELD The Supreme Court held that the date on which the cause of action accrued must be excluded when calculating the one-month limitation period under Section 142(b) for filing a complaint, applying Section 12(1) of the Limitation Act. The Court also held that the 2002 amendment enabling courts to condone delays in filing complaints is substantive and does not apply retrospectively.

> "In the present case, after excluding the day when G cause of action accrued, the complaint was filed well within time; as such the High Court was not justified in holding that there was two days' delay in filing the complaint. For 'f the foregoing reasons, we 3re of the view that the High Court was not justified in quashing prosecution of the \"\"' H respondents."

SUPREME COURT OF INDIA · 2008 | SOURCE ESCR010001412008

15 Varsha Tukaram Joshi v. Sandeep Jugalkishor Karwa

BOMBAY HIGH COURT · 2025-02-13 · WP/818/2024

This case concerns a dispute under Section 138 of the Negotiable Instruments Act where the parties initially agreed to a settlement and the accused paid the agreed-upon amount, but the complainant subsequently refused to compound the offence. The trial court and revisional court declined to quash the proceedings as compounding requires mutual consent.

HELD The High Court held that the offence under Section 138 is compoundable at any stage under the established guidelines, which specify scale of costs ranging from 10% to 20% of the cheque amount depending on the stage of compounding. However, the court cannot compel a complainant to compound the offence, as compounding requires mutual consent.

> "That directions can be given that the Writ of Summons be suitably modified making it clear to (a) Thaised that he could make an application for compounding of 9 of 14 ((10)) 921WP818-24 settlement of NI Act the offences at the first of second hearing of the case and that if such an application is made, compounding may be allowed by the court without imposing any costs on the accused."

BOMBAY HIGH COURT · 2025 | SOURCE HCBM030175622024

16 Indra Kumar Patodia v. Reliance Industries Ltd.

SUPREME COURT OF INDIA · 2012-11-22 · 2012 INSC 534

The Supreme Court of India addressed whether a complaint under Section 138 of the Negotiable Instruments Act, 1881, is maintainable if it lacks the complainant's signature but is subsequently verified.

HELD The Supreme Court held that the non-obstante clause in Section 142 is restricted to excluding oral complaints and complaints made by anyone other than the payee or holder in due course. While a complaint must be in writing under Section 142(a), the lack of a signature at the time of filing is a curable defect that does not invalidate the prosecution.

> "According to us, the non obstante clause in Section 142(a) is restricted to exclude two things only from the Code i.e. (a) exclusion of oral complaints and (b) exclusion of cognizance on complaint by anybody other than the payee or the holder in due course."

SUPREME COURT OF INDIA · 2012 | SOURCE ESCR010001172012

17 Indian Bank Association v. Union of India

SUPREME COURT OF INDIA · 2014-04-21 · 2014 INSC 963

This case addressed the lack of uniform procedure in courts across India regarding the trial of cheque dishonour cases under Section 138 of the Negotiable Instruments Act. Despite legislative amendments aimed at expediting these trials through summary procedure, inconsistent practices persisted, leading to significant delays.

HELD The Supreme Court issued mandatory nationwide guidelines to ensure uniform summary trial procedures under Sections 262 to 265 of the CrPC for cheque dishonour cases. The court emphasized that the 2002 amendments, including the application of summary procedure, must be enforced to achieve speedy and expeditious disposal of complaints.

> “Amendment Act, 2002 has to be given effect in its letter and spirit - s. 143 stipulates that notwithstanding anything contained in Cr.P.C., all offences contained in Chapter XVII of the Negotiable Instruments Act dealing with dishonour of cheques for insufficiency of funds, etc. shall be tried by a Judicial Magistrate and the provisions of ss.262 to 265 Cr.P. C. prescribing procedure for summary trials, shall apply to such trials”

SUPREME COURT OF INDIA · 2014 | SOURCE ESCR010005262014

18 A.V. Raja Kumari v. P. Subbarama Naidu

SUPREME COURT OF INDIA · 2004-11-02 · 2004 INSC 633

The case concerns a complaint filed under Section 138 of the Negotiable Instruments Act, 1881. The complainant sent a legal notice to the accused, which was returned with an endorsement stating that the addressee's house was locked. The Magistrate dismissed the complaint at the threshold.

HELD The Supreme Court held that a payee discharges their statutory obligation once they correctly address and dispatch the demand notice. If a notice is returned with an endorsement that the "house was locked", the complaint should not be dismissed at the threshold, and the question of effective service must be determined during trial.

> “A payee can send the notice for doing his part for giving the notice. Once it is dispatched his part is over and the next depends on what the sendee does.”

SUPREME COURT OF INDIA · 2004 | SOURCE ESCR010006372004

19 M/S Gimpex Private Limited v. Manoj Goel

SUPREME COURT OF INDIA · 2021-10-08 · 2021 INSC 637

The Supreme Court addressed whether a complainant can simultaneously pursue parallel prosecutions under Section 138 of the Negotiable Instruments Act for the same transaction after a settlement agreement has been reached.

HELD The Supreme Court held that a settlement agreement effectively subsumes and replaces the original Section 138 complaint. Permitting parallel prosecutions under both the original complaint and a subsequent complaint arising from the breach of the settlement agreement is contrary to the compensatory purpose of the Act.

> "The nature of the offence under Section 138 of the NI A ct is quasi-criminal in that, while it arises out of a civil wrong, the law, however, imposes a criminal penalty in the for m of imprisonment or fine. The purpose of the enactment is t o provide security to creditors and instil confidence in the banking system of the country."

SUPREME COURT OF INDIA · 2021 | SOURCE ESCR010006082021

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20 Raj Narayan Singh v. State of Jharkhand

HIGH COURT OF JHARKHAND · 2021-10-25 · CR.REV./1137/2010

The petitioner filed this revision petition challenging his conviction under Section 138 of the Negotiable Instruments Act, arguing that the complaint was premature as it was filed before the mandatory 15-day waiting period following the service of a legal demand notice had expired.

HELD The High Court set aside a conviction under Section 138, holding that no offence is committed nor cause of action accrued until the statutory 15-day waiting period has fully elapsed. It reiterated that the trial courts must strictly verify the service of notice or establish proper presumptions of service before computing the limitation timelines.

> "Therefore, a court is barred in law from taking cognizance of such complaint. It is not open to the court to take cognizance of such a complaint merely because on the date of consideration or taking cognizance thereof a period of 15 days from the date on which the notice has been served on the drawer/accused has elapsed."

HIGH COURT OF JHARKHAND · 2021 | SOURCE JHHC010096762010

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21 Nakoda Gems & Jewellery v. Pragati Diamonds

MADRAS HIGH COURT · 2024-10-25 · CRL OP/22995/2022

This case involved a petition to quash criminal proceedings under Section 138 of the Negotiable Instruments Act where the complainant filed a cheque dishonour complaint before the expiration of the mandatory 15-day notice period following the receipt of the legal notice.

HELD The High Court held that a complaint filed before the expiry of the 15-day notice period is premature and legally void. The court cannot take cognizance of such a complaint even if the 15-day period has elapsed by the date the court actually considers the matter.

> "Any complaint before the expiry of 15 days from the date on which the Notice has been served on the drawer is no complaint at all in the eye of law. The Court is barred in law from taking cognizance of the complaint."

MADRAS HIGH COURT · 2024 | SOURCE HCMA011470622022

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22 N.K. Wahi v. Shekhar Singh

SUPREME COURT OF INDIA · 2007-03-09 · 2007 INSC 275

The appellant filed a criminal complaint under Sections 138 and 141 of the Negotiable Instruments Act against a company and its directors for the dishonour of cheques. The directors sought to quash the proceedings, arguing that the complaint failed to specify their role or responsibility for the company's business conduct, as required by Section 141.

HELD The Supreme Court held that to prosecute directors or signatories under Section 141 of the Negotiable Instruments Act, there must be specific and unambiguous allegations in the complaint detailing their roles and responsibilities in the conduct of the company's business. Merely holding a directorship is insufficient to establish vicarious criminal liability.

> "To launch a prosecution against the alleged Directors there must be a specific allegation in the complaint as to the part played by them in the 883 II 884 SUPREME COURT REPORTS (2007] 3 S.C.R. A transaction. There should be clear and unambiguous allegation as to how the Directors are incharge and responsible for the conduct of the business of the company."

SUPREME COURT OF INDIA · 2007 | SOURCE ESCR010006632007

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23 Yogendra Singh Jadon v. Brajendra Singh Jadon

HIGH COURT OF MADHYA PRADESH · 2023-10-09 · CRA/1775/2023

This case involved an application for leave to appeal against the acquittal of the respondent in a cheque bounce case under Section 138 of the Negotiable Instruments Act. The trial court had acquitted the respondent, noting that the statutory demand notice was not served within the mandatory 30-day period.

HELD The High Court affirmed the acquittal of the accused, noting that the statutory demand notice was not sent within the mandatory 30-day period following the cheque dishonour. Additionally, the complaint was filed beyond the one-month limitation period under Section 142(1)(b) without any application for condonation of delay.

> "On such cause of action, complaint for offence punishable under Section 138 of Negotiable Instruments Act should have been filed within 30 days of expiry of period of 15 days from the service of demand notice."

HIGH COURT OF MADHYA PRADESH · 2023 | SOURCE MPHC030031912023

24 Afrojkhan Bashirkhan Pathan v. Mandodara Madhavrao Kendre

BOMBAY HIGH COURT · 2019-12-12 · WP/1127/2018

This case concerns the maintainability of a criminal complaint filed under Section 138 of the Negotiable Instruments Act. The accused refused the statutory notice on January 3, 2017, and the complainant filed the case prematurely on January 18, 2017.

HELD The High Court held that a complaint filed on the very day the accused refused the statutory notice is premature and not maintainable. The court quashed the complaint, directing that the complainant's only remedy is to file a fresh complaint and seek condonation of delay under Section 142(b) if the limitation period has expired.

> "The period of 15 days envisaged by Section 138 (c) of the Negotiable Instruments Act would begin to run on the day next to the day on which service of notice has been effected."

BOMBAY HIGH COURT · 2019 | SOURCE HCBM030314282018

25 Gujral Tours & Travels P. Ltd. v. Anup Gulati

HIGH COURT OF DELHI · 2009-12-07 · CRL.M.C./948/2009

This petition challenged an order discharging the respondent in a criminal complaint filed under Section 138 of the Negotiable Instruments Act. The court determined that the cause of action for filing the complaint arose upon the refusal of the first registered notice.

HELD The High Court held that the cause of action for filing a Section 138 complaint arises only once upon the expiry of the 15-day period from the service of the first notice of demand. Subsequent personal service of notice on a later date cannot create a fresh cause of action to extend the limitation period.

> "A fresh service of the notice on a subsequent date would not give rise to a fresh cause of action as far as the criminal liability under Section 138 of Negotiable Instructions Act is concerned."

HIGH COURT OF DELHI · 2009 | SOURCE DLHC010564632009 quotations must be independently verified against the source judgment before being relied upon in any filing, opinion, or correspondence.