

Delhi High Court Partially Sets Aside Arbitral Award Due To Lack Of Any Evidentiary Basis

Authors: *Vasanth Rajasekaran and Harshvardhan Korada*

INTRODUCTION

The High Court of Delhi recently rendered a significant judgment in the case of ***Mohd. Amin (Deceased) through LRs v. Mohd. Iqbal (Deceased) through LRs***¹, dealing with, amongst other things, the enforceability of arbitral awards, the question of limitation, and the need to have a proper evidentiary basis for granting claims in arbitral proceedings. This article provides a detailed analysis of the facts, legal issues, and findings in the case.

FACTUAL BACKGROUND

The dispute revolved around a property known as "*Nasim Bagh*" in Jamia Nagar, New Delhi, owned by Mohd. Amin (through his legal representatives). The property included a 435-square-yard plot ("**Subject Land**") that had been in the alleged unauthorised possession of Mohd. Iqbal since 1974. To resolve disputes *between* the parties, a Compromise Agreement was entered in 1991, wherein the respondent agreed to relinquish possession of the subject land in exchange for 6% (six per cent) of the built-up area in a proposed group housing project. The Compromise Agreement also stipulated that if the project were abandoned, the land would revert to the respondent, and the Compromise Agreement would be rendered null and void.

The group housing project was eventually abandoned, but possession of the subject land was not restored to the respondent, leading to arbitration proceedings initiated under a clause in the Compromise Agreement. The Arbitral Tribunal rendered an award in favour of the respondent, directing the return of the land and awarding compensation for demolished structures. The award was challenged unsuccessfully under Section 34 of the Arbitration and Conciliation Act, 1996 ("**Arbitration Act**"), prompting the present appeal under Section 37.

LEGAL ISSUES

In the present matter, the High Court examined the following key issues:

1. **Limitation:** Were the respondent's claims before the Arbitral Tribunal barred by limitation?
2. **Patent Illegality:** Was the arbitral award, especially the compensation granted for demolished structures, vitiated by patent illegality in the absence of any evidence?
3. **Costs and Interest:** Whether the costs awarded by the Arbitral Tribunal were excessive or justified?

JUDGMENT OF THE HIGH COURT

¹ 2024 DHC 8912 DB.

On the issue of the Limitation Period

The appellant's contention revolved around the argument that the respondent's claims were time-barred. As per the appellant, the arbitration in the instant matter had been invoked decades after the Compromise Agreement was executed, with the project being abandoned as early as 1999.

The timeline of events in the present matter is as follows:

1. Agreement Execution (1991): The Compromise Agreement was executed between the parties, wherein the respondent agreed to relinquish possession in exchange for 6% of the built-up area in a group housing project.
2. Abandonment of the Project (1999): The respondent alleged the appellants and their developer abandoned the project, triggering his entitlement to the reversion of the land under the Compromise Agreement.
3. Execution Proceedings (1999–2009): The respondent filed execution proceedings seeking possession of the land. These proceedings, spanning over a decade, were ultimately dismissed for lack of an executable decree.
4. Arbitration Proceedings (2011): The respondent resorted to arbitration upon the Supreme Court's intervention.

Section 14 of the Limitation Act excludes time spent in pursuing *bona fide* proceedings in a Court that lacked jurisdiction or failed due to a "*cause of like nature*". Its application hinges on satisfying the following criteria:

Firstly, the prior proceeding must have been prosecuted with due diligence.

Secondly, the proceeding must relate to the same matter and parties.

Thirdly, the failure of the proceeding must be attributable to a defect in jurisdiction or a comparable issue.

The High Court observed that the respondent initiated execution proceedings based on a reasonable belief that the Compromise Agreement, as recorded in the Court's earlier orders, created an enforceable decree. Despite judicial disagreement over this interpretation, the respondent's pursuit of execution remedies was not characterised by negligence or bad faith. The High Court acknowledged that jurisdictional challenges in execution proceedings caused significant delays. The disputes over whether the Compromise Agreement constituted a decree resulted in extended litigation between 1999 and 2009.

The High Court emphasised that Section 14 does not protect litigants who are negligent or dilatory. However, the High Court affirmed that the respondent's actions reflected consistent diligence, even as he faced adverse judicial findings.

On the Reversion of the Subject Land

The Arbitral Tribunal directed the appellants to return possession of the Subject Land to the respondent, as explicitly required by Clause 10 of the Compromise Agreement. The High Court upheld this finding, noting that the clause was clear and unambiguous.

On the compensation for demolished structures

The respondent had claimed compensation under the Compromise Agreement, alleging that structures previously existing on the Subject Land were demolished during development activities. The Arbitral Tribunal awarded ₹15,00,000 as compensation, ostensibly in reliance on historical documents, including the report of a Local Commissioner from 1989 and accompanying photographs of the structures.

However, the Arbitral Tribunal did not delve deeply into the specific valuation of these structures. The award did not cite concrete evidence such as engineering assessments, market appraisals, or any independent valuation report that could substantiate the monetary figure. Instead, the compensation seemed to be derived from an approximate or assumed value, lacking rigorous evidentiary backing.

The High Court found this portion of the award to be unsustainable. It highlighted the following deficiencies:

Absence of Supporting Evidence: The respondent had not presented direct evidence such as receipts, construction estimates, or expert testimony establishing the cost or value of the demolished structures. The reliance on dated photographs and a Local Commissioner's report was deemed insufficient to justify the ₹15,00,000 figure. The High Court observed that compensation based on conjecture or assumptions, without corroborating evidence, amounts to speculation and undermines the credibility of the arbitral process. The High Court invoked the principle of patent illegality, which prohibits awards that contravene public policy or legal principles. The Arbitral Tribunal breached this doctrine by awarding unsubstantiated compensation, rendering the award vulnerable to judicial scrutiny. Accordingly, the award of compensation was set aside.

On costs and interest

The Arbitral Tribunal had awarded ₹12,69,380 as costs and 18% interest for delayed payment. The High Court upheld the costs, observing that the respondent had substantially succeeded in the arbitration. However, the Court clarified that interest should only apply to monetary awards and did not impact the directive to return the land.

CONCLUSION AND IMPLICATIONS OF THE JUDGMENT

This judgment reaffirms that arbitral awards must be grounded in evidence. Speculative awards, particularly concerning compensation, are vulnerable to challenge under the ground of patent illegality. Legal practitioners and arbitration enthusiasts will find this judgment particularly instructive, as it reinforces foundational concepts in arbitration and procedural law.

Contact

For any query, help or assistance, please reach out at info@trinitychambers.in or visit us at www.trinitychambers.in.

Authors

	
Vasanth Rajasekaran Founder & Head vasanth@trinitychambers.in	Harshvardhan Korada Counsel harshvardhan@trinitychambers.in