Cassie

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DAILY

Court Digest

The day's most significant judgments from India's courts.

IN TODAY'S DIGEST

- **S.114 Customs Act | Zero tolerance for fake AI citations : SC**
- **S.2(1)(c) SARFAESI | Banks can enforce assigned NBFC debts : SC**
- **S.31 IBC | Pre-CIRP customs claims extinguished post-plan : DHC**
- **S.3 Competition Act | Debenture trustee fee fixing illegal : CCI**
- **BNS | Contractor not criminally liable for site accident : Kar. HC**

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Supreme Court

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Government & Public Body Interactions

SUPREME COURT

Orders founded on artificial intelligence hallucinated citations are void and must be quashed

The dispute. A diamond trader was penalised over ₹425 crore under the Customs Act for allegedly mis-declaring natural diamonds as lab-grown. The penalty order extensively relied on fictitious legal precedents and articles generated through unverified artificial intelligence tools. The Gujarat High Court dismissed the importer's appeal upholding the penalty, prompting the present civil appeal before the Supreme Court.

The reasoning. The Supreme Court declared zero tolerance for unverified artificial intelligence citations, holding that adjudicatory decisions predicated on fabricated authorities are legally void.

For your practice. Counsel must independently verify every precedent suggested by research software, as courts will invalidate orders founded on fictitious citations.

The order. The Supreme Court set aside the ₹425,27,99,100 penalty and the confirming High Court order.

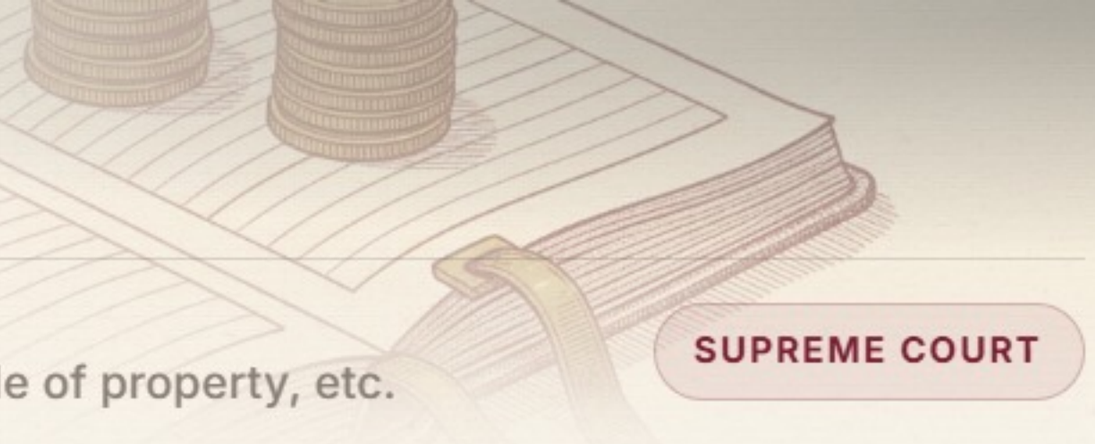
§ Section 114, Customs Act, 1962

VIJAY GHANSHYAM GADIYA vs UNION OF INDIA

COURT	DECIDED	CASE NO.	CITATION
Supreme Court of India	02.09.2026	C.A. No.-012155-012155 - 2026	2026:INSC:947

BENCH

Dipankar Datta, Sheel Nagu



Banking Law, Debt & Money Matters
SARFAESI, Mortgage Suits, Lien, Attachment and Sale of property, etc.

SUPREME COURT

Banks can enforce security interest on debts assigned by non-banking financial companies

The dispute. Kotak Mahindra Bank took over defaulted loan accounts from an unnotified NBFC and sought possession of borrowers' mortgaged properties under SARFAESI. The DRT Mumbai and the Bombay High Court held that the bank could not invoke SARFAESI, prompting the bank's appeal to the Supreme Court.

The reasoning. The Supreme Court held that SARFAESI applies to all live debts once held by an eligible bank, irrespective of the assignor's status. Upon acquisition, the debt immediately acquires secured status because the holder's statutory character governs enforcement.

For your practice. Banks acquiring distressed debts can immediately enforce SARFAESI remedies against borrowers without establishing whether the originating NBFC was a notified financial.

The order. The Supreme Court set aside the Bombay High Court judgment, restored the borrowers' securitisation application before the DRT, and directed the Mehtas to deposit ₹25 lakh with the bank within eight weeks.

§ **Section 2(1)(c), Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002**

KOTAK MAHINDRA BANK LTD. vs TRUPTI SANJAY MEHTA

COURT	DECIDED	CASE NO.	CITATION
Supreme Court of India	02.09.2026	C.A. No.-008531-008531 - 2015	2026:INSC:943

BENCH
Sanjay Kumar, Sanjeev Sachdeva

Government & Public Body Interactions

SUPREME COURT

Professional clearing members have no statutory duty to verify individual client positions

The dispute. Following defaults by trading member Anugrah, clearing member Edelweiss liquidated pledged securities to discharge settlement obligations. The Securities Appellate Tribunal affirmed the restitution directives.

The reasoning. Regulatory obligations to verify client-wise collaterals rest exclusively on trading members, not on professional clearing members who lack investor privity.

For your practice. Shield professional clearing members against investor shortfall claims absent express statutory verification duties.

The order. The Supreme Court allowed the appeals, setting aside restitution orders totalling Rs 460.32 crore, Rs 22 crore, Rs 1.95 crore, and Rs 75.74 lakh. All Rs 1 lakh penalties were vacated, absolving the clearing members of any liability.

§ Section 11B, Securities and Exchange Board of India Act, 1992

EDELWEISS CUSTODIAL SERVICES LIMITED vs NSE CLEARING LTD.

COURT	DECIDED	CASE NO.	CITATION
Supreme Court of India	02.09.2026	C.A. No.-000031 - 2024	2026:INSC:941

BENCH

J.b. Pardiwala, K. Vinod Chandran

Property & Asset Disputes
Property Ownership, Title, Registration, Mutation, Division

SUPREME COURT

Revenue authorities cannot exercise revisionary powers beyond the statutory three-year limit

The dispute. Landowner MRR Setty purchased 28 guntas of Bengaluru land in 1929, obtained city survey allotments in 1974, and constructed apartments with municipal sanction by 2006. In 2014, revenue authorities issued a revision notice cancelling the survey allocation to re-examine alleged lake encroachment. The landowner challenged the notice before the Karnataka High Court.

The reasoning. The Section 56(3) proviso creates a mandatory three-year ceiling on revisionary powers, which neither inherent powers nor the Limitation Act can override.

For your practice. Challenge revenue revision notices issued beyond three years by invoking Section 56(3), precluding authorities from relying on inherent powers or the Limitation Act to revive.

The order. The Supreme Court allowed the appeals and quashed the revision notice dated 26 April 2014 concerning the appellants' property.

§ Section 56, Karnataka Land Revenue Act, 1964

M.R.R. SETTY(DEAD) BY LRS vs GOVERNMENT OF KARNATAKA

COURT	DECIDED	CASE NO.	CITATION
Supreme Court of India	02.09.2026	C.A. No.-012163-012164 - 2026	2026:INSC:944

BENCH
Sanjay Kumar, Sanjeev Sachdeva

High Courts

5 judgments in this edition

KEEP SWIPING >>>

Government & Public Body Interactions

DELHI HC

Unfiled pre-insolvency customs claims are extinguished upon approval of the resolution plan

The dispute. An infrastructure company imported video equipment under concessional customs duty before entering corporate insolvency. The customs department failed to submit claims during the insolvency process, but subsequently issued an order demanding differential duty, interest, and penalties. The company filed a writ petition before the High Court seeking to quash the customs demand following approval of its resolution plan.

The reasoning. Under Section 31(1) of the IBC, an approved resolution plan binds governmental authorities and extinguishes unsubmitted pre-insolvency claims.

For your practice. Corporate debtors can defeat post-resolution tax demands where authorities failed to lodge claims during insolvency, as approved plans permanently extinguish unfiled statutory.

The order. The High Court allowed the writ petition and quashed the Order-in-Original, nullifying the demand of Rs 5,89,366 differential customs duty, interest under Section 28AA, and a Rs 4,00,000 penalty without costs.

§ **Section 31, Insolvency and Bankruptcy Code, 2016 (as amended 2019)**

JAIPRAKASH ASSOCIATES LIMITED vs THE OFFICE OF THE COMMISSIONER OF CUSTOMS AIR CARGO COMPLEX IMPORT & ors.

COURT	DECIDED	CASE NO.	CITATION
Delhi High Court	02.09.2026	W.P.(C)-10387/2026	2026:DHC:7356-DB

BENCH

Anil Kshetarpal, Shail Jain

Criminal Issues
Quashing of Cases

CALCUTTA HC

Contractors face no criminal liability for workplace fatalities absent a direct causal link

The dispute. A contractor engaged a labourer to paint an electrical transformer structure at Campbell Bay. The worker suffered a fatal electric shock on site, prompting police to register a negligent homicide case against the absent contractor for failing to supply safety gear. The contractor petitioned the High Court in revision to quash the charge sheet pending before the Judicial Magistrate at Campbell Bay.

The reasoning. Criminal negligence requires an act or omission that serves as the direct causa causans of the death. Absent site presence or immediate supervisory control, a contractor's failure to provide safety gear does not establish that proximate causal nexus.

For your practice. Workplace death charges against contractors can be quashed where prosecutors show merely contractual safety lapses without an immediate causal link to the fatality.

The order. The High Court allowed the criminal revision, quashed First Information Report No. 14/2025 and the consequent charge sheet, and discharged the contractor from all proceedings before the trial court without costs.

§ Section 106(1), Bharatiya Nyaya Sanhita, 2023

B. Veeraiah v. State

COURT	DECIDED	CASE NO.	BENCH
Calcutta High Court	02.09.2026	CRR/37/2026	Biswaroop Chowdhury

Contracts & Business Disputes
Arbitration Agreements, Proceedings & Enforcement

DELHI HC

Patent illegality does not permit setting aside arbitral awards that enforce contractual terms

The dispute. A contractor agreed with a state power corporation to build and operate a coal transportation network under minimum guaranteed volumes. Project delays and regulatory caps triggered multi-crore claims for delay compensation, quantity shortfalls, and wrongful contract termination. After an arbitral tribunal awarded substantial damages, a Single Judge set aside the award for patent illegality, prompting this appeal.

The reasoning. Patent illegality requires a substantive legal error striking at the dispute's root, not a difference in contract interpretation.

For your practice. Parties cannot rely on post-contract regulatory shifts to escape contractual liabilities, as Section 34 courts will not rewrite contracts or upset reasoned arbitral awards.

The order. The Division Bench set aside the Single Judge's order and restored the arbitral award in full, directing NTPC to pay JITF Rs 424.08 crore for delays, Rs 356.31 crore for volume shortfalls, and Rs 1,108.93 crore for termination.

§ Section 34, Arbitration and Conciliation Act, 1996

M/S JINDAL ITF LIMITED vs NTPC LIMITED & ors.

COURT	DECIDED	CASE NO.	CITATION
Delhi High Court	02.09.2026	FAO(OS) (COMM)-45/2025	2026:DHC:7348-DB

BENCH
C. Hari Shankar, Om Prakash Shukla

Property & Asset Disputes
Property Ownership, Title, Registration, Mutation, Division

MADRAS HC

Specific performance decrees may be rescinded if balance consideration is unreasonably delayed

The dispute. A buyer obtained an ex-parte specific performance decree for ancestral land without an explicit deposit deadline. The lower courts rescinded the ex-parte decree and confirmed the subsequent sale, which the decree-holder challenged in second appeal.

The reasoning. Specific performance decrees are preliminary, preserving the court's Section 28 power to extend time or rescind the contract. Absent a stipulated deadline, the balance price must be deposited within a reasonable period, which a four-year delay violates.

For your practice. Decree-holders must deposit balance funds promptly or seek formal extensions, as unexplained delays entitle vendors to rescind decrees and convey valid title elsewhere.

The order. The High Court dismissed the second appeal without costs, confirming the rescission of the 1983 ex-parte decree and affirming the validity of the 1988 sale deed in favour of the purchasers.

§ Section 28, Specific Relief Act, 1963

RAJESWARI vs SAMPOORNAM

COURT	DECIDED	CASE NO.	BENCH
Madras High Court	01.09.2026	SA.2186/2004	R.sakthivel



Work & Employment Issues
PF, ESI & Statutory Benefits Disputes

DELHI HC

Payments to outside agencies cannot be basic wages without establishing employee wage nexus

The dispute. The EPFO assessed Rs 3.52 lakh in provident fund dues against exporter M/s Creative Export for dyeing and fabrication charges paid to outside agencies. The EPF Appellate Tribunal set aside the assessment and ordered refund, prompting the Regional PF Commissioner to file a writ petition after two years.

The reasoning. Section 2(b) defines basic wages as emoluments earned by an employee in cash. External contractor charges cannot be treated as wages without a factual foundation identifying individual workers and proving their specific wage entitlements.

For your practice. Challenge PF assessments on third-party contractor expenses absent proof of wages paid to identifiable workers, and plead laches against stale departmental writ petitions.

The order. The High Court dismissed the writ petition without costs and affirmed the EPFAT orders. The assessment of Rs 3,52,492 was set aside, relieving the respondent of liability and confirming refund of its Rs 1,41,000 pre-deposit.

§ **Section 2(b), Employees' Provident Funds and Miscellaneous Provisions Act, 1952**

REGIONAL PF COMMSSIONER BY AND ON BEHALF OF EMPLOYEES PF ORGANISATION vs M/S CREATIVE EXPORT

COURT	DECIDED	CASE NO.	CITATION	BENCH
Delhi High Court	01.09.2026	W.P.(C)-1915/2014	2026:DHC:7444	Amit Mahajan

Tribunals

2 judgments in this edition

KEEP SWIPING →

Competition Law
Cartels, Price-fixing & Bid-rigging

CCI

Debenture trustees cannot collude to fix benchmark fees through an industry association

The dispute. Muthoot Finance sought fee quotations from debenture trustee IDBI Trusteeship for a proposed 982 crore rupee bond issue. IDBI quoted sharply escalated fees mandated by the Trustees' Association of India, warning that deviations would invite adverse repercussions and delaying the offering. Muthoot filed information alleging cartelisation before the Competition Commission.

The reasoning. The Commission held that collective floor pricing constitutes an anti-competitive agreement, with internal minutes and coercive emails proving concerted action.

For your practice. Sectoral oversight does not shield collective fee-fixing, requiring counsel to scrutinise trade association pricing circulars and warn participating executives against personal.

The order. The Commission directed the association and three debenture trustees to cease and desist, mandating compliance within eight weeks.

§ Section 3, Competition Act, 2002

Muthoot Finance Limited vs Trustees' Association Of India

COURT	DECIDED	CASE NO.
Competition Commission of India	02.09.2026	Case No. 29 of 2021

Government & Public Body Interactions

ITAT

Unsigned and undated reassessment approval renders subsequent reopening notice void in law

The dispute. Krish Road Carriers challenged an income tax reassessment order, contending that the statutory approval authorising the reopening notice was neither signed nor dated. The approving tax authorities had merely recorded unauthenticated initials without affixing manual or digital signatures. The CIT(Appeals) upheld the reassessment, prompting the assessee to challenge the jurisdictional validity of the notice before the ITAT.

The reasoning. The Tribunal held that Section 282A(1) mandatorily requires statutory documents to be signed manually or digitally prior to issuance.

> *Thus, the sanction granted u/s.151 of the Act without signing the same is invalid and therefore the Assessing Officer did not assume jurisdiction to issue notice u/s.148 of the Act.*
>
> FROM THE JUDGMENT

For your practice. Tax counsel should inspect Section 151 approval records for valid signatures and dates.

The order. The Tribunal allowed the appeal, quashed the unsigned Section 151 sanction, set aside the reopening notice dated 22 March 2019, and cancelled the assessment order passed under Section 143(3) for Assessment Year 2012-13.

§ Section 151, Income-tax Act, 1961

Krish Road Carriers Private ... vs Ito,Ward-14(4), Delhi

COURT	DECIDED	CASE NO.	BENCH
Income Tax Appellate Tribunal	02.09.2026	ITA No.5505/DEL/2024	S. Rifaur Rahman

Also decided today

§ Section 7A, Juvenile Justice Act, 2000

SUPREME COURT

Inherent powers cannot reopen an affirmed conviction despite a subsequent juvenility claim

The court held that statutory finality bars High Courts from invoking inherent powers to alter convictions already affirmed by the apex court.

Crl.A. No.-004173-004173 - 2026 · 2026:INSC:942 · 02.09.2026

§ Section 98, Gujarat Prohibition Act, 1949

SUPREME COURT

Prohibition statutes do not bar interim release of seized vehicles on adequate security

The court held that statutory restrictions on releasing conveyances must be harmoniously construed with general procedural powers governing interim custody of seized property.

Crl.A. No.-004172-004172 - 2026 · 2026:INSC:940 · 02.09.2026

§ Article 113, Limitation Act, 1963

DELHI HC

Forum non conveniens cannot bar a domestic civil suit to recover fraud proceeds

The court held that forum non conveniens cannot bar domestic civil suits governed by procedural law, with jurisdiction established where disputed funds reside.

CS(OS)-379/2025 · 2026:DHC:7418 · 02.09.2026

Also decided, continued

§ Rule 86A, CGST/WBGST Rules, 2017 — CALCUTTA HC

Tax authorities must provide a pre-decisional hearing before blocking input tax credit

The court held that freezing electronic credit ledgers imposes grave civil consequences, making a pre-decisional hearing indispensable absent extraordinary justifying circumstances.

FMA/1656/2025 · 2026:CHC-AS:1399-DB · 01.09.2026

§ Section 148, Income Tax Act, 1961 — GUJARAT HC

Tax assessments based on earlier search material cannot invoke general reopening powers

The court held that where search actions were initiated before the 2021 statutory amendments, assessments could only be reopened under special search provisions upon recording satisfaction.

R/SCA/5482/2023 · 2026:GUJHC:55807-DB · 01.09.2026

§ Industrial Disputes Act, 1947 — CALCUTTA HC

Contractual jurisdiction clauses cannot oust the statutory authority of industrial tribunals

The court held that parties cannot by contract confer or exclude statutory jurisdiction where an industrial tribunal derives its authority directly from statute and local employment nexus.

WPO/737/2016 · 02.09.2026

Also decided, continued

§ Regulation 27(1), SEBI (Credit Rating Agencies) Regulations, 1999 SAT

Credit rating bars apply to promoter borrowers only if common management conditions exist

Applying harmonious construction, the Tribunal held that conflict provisions must align with parallel regulatory frameworks.

Appeal No.19 of 2025 · 01.09.2026

§ Section 61, Insolvency and Bankruptcy Code, 2016 NCLAT

Insolvency appeals cannot be entertained after the fifteen-day condonation period expires

The tribunal held that the statutory limitation scheme permits an extension of at most fifteen days upon sufficient cause, which cannot be stretched further.

Comp. App. (AT) (Ins) No. 1458 of 2026 & I.A. No. 5545, 5636 of 2026 · 02.09.2026

§ Section 69A, Income Tax Act, 1961 ITAT

Customer cash flowing through business correspondent accounts is not taxable personal income

The tribunal held that additions for unexplained money require concrete proof of ownership, which is absent where funds pass through a fiduciary account as an intermediary.

ITA Nos. 609 & 612/Ahd/2026 · 02.09.2026

Also decided, continued

§ Section 15T, Securities and Exchange Board of India Act, 1992 SAT

Voluntary market abstention does not nullify regulatory debarment for financial fraud

The Tribunal held that circular fund flows and sham transactions were established on a preponderance of probabilities.

Appeal No.568 of 2024 · 01.09.2026

§ Section 157, Motor Vehicles Act, 1988 SCDRC

Automatic transfer of vehicle insurance upon sale applies solely to third-party risks

The Commission held that automatic statutory transfer of motor insurance applies strictly to third-party risks rather than own-damage claims.

SC/19/CC/310/2019 · 01.09.2026

The Supreme Court quashed a ₹425 crore customs penalty after discovering that the adjudication order relied on fictitious, AI-generated legal authorities, establishing an uncompromising zero-tolerance verification mandate across judicial and quasi-judicial bodies. As generative AI tools rapidly penetrate legal drafting and administrative adjudication, will institutional verification protocols suffice to insulate the justice system from synthetic hallucinations and fabricated precedents?

22 judgments **6** Supreme Court **9** High Courts **7** Tribunals

Every judgment here, analysed in full.

The facts, the reasoning and the precedents each court engaged with.

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