



**REPORTABLE**

IN THE SUPREME COURT OF INDIA  
CIVIL APPELLATE JURISDICTION

**CIVIL APPEAL NO. .... OF 2025**  
**(Arising out of SLP (C) Nos. 12770-83 of 2020)**

THE GOVERNMENT OF TAMIL NADU,  
REP. BY ITS SECRETARY,  
TRANSPORT DEPARTMENT & ORS.

...APPELLANT(S)

VERSUS

P.R. JAGANATHAN & ORS ETC.

... RESPONDENT(S)

**JUDGMENT**

**M. M. Sundresh, J.**

1. Leave granted.
2. We have heard Dr. Abhishek Manu Singhvi, the learned Senior Counsel appearing for the appellants and Ms. Aishwarya Bhati, the learned Additional Solicitor General (ASG), Mr. S Nagamuthu, the learned Senior Counsel and other learned counsel appearing for the respondents. We have perused the written arguments and the documents filed by the parties.

3. The issue for consideration in these appeals is: Whether a party to a concluded contract, voluntarily and statutorily entered into, can seek further relief by taking refuge under the statutory provisions?

4. Sections 7 and 12 of The Tamil Nadu Acquisition of Land for Industrial Purposes Act, 1997 (hereinafter referred to as the “**1997 Act**”), read as under:

### **Section 7 of the 1997 Act**

#### **“7. Determination of amount**

(1) Where any land is acquired by the Government under this Act, the Government shall pay an amount for such acquisition which shall be determined in accordance with the provisions of this section.

**(2) Where the amount has been determined by agreement between the Government and the person to whom the amount has to be paid, it shall be paid in accordance with such agreement.**

**(3) Where no such agreement can be reached, the Government shall refer the case to the Collector for determination of the amount to be paid for such acquisition as also the person or persons to whom such amount shall be paid:**

Provided that no amount exceeding such amount as the Government may, by general order, specify to be paid for such acquisition shall be determined by the Collector without the previous approval of the Government officer as the Government may appoint in this behalf.

**(4) Notwithstanding anything contained in sub-section (3), after the case is referred to the Collector under that sub-section, but before he has finally determined the amount, if the amount is determined by agreement between the Government and the person to whom the amount has to be paid, such amount shall be paid by the Collector in accordance with such agreement.**

(5) Before finally determining the amount, the Collector shall give an opportunity to every person to whom the amount has to be paid to state his case as to the amount.

(6) In determining the amount, the Collector shall be guided by the provisions contained in sections 23 and 24 and other relevant provisions of the Land Acquisition Act, 1894, (Central Act I of 1894) subject to modifications that-

(a) in the said section 23, the references to the date of publication of the notification under section 4, sub-section (1) and the time of publication of the declaration under section 6 of the said Act shall be construed as references to the date of publication of notice under sub-sections (2) and (1), respectively, of section 3 of this Act; and

(b) in the said section 24, the references to the date of publication of notification under section 4, sub-section (1) and the date of publication of the declaration under section 6 of the said Act shall be construed as references to the date of publication of notice under sub-sections (2) and (1), respectively, of section 3 of this Act.

(7) For the purpose of determining the amount-

(a) the Collector shall have power to require any person to deliver to him such returns and assessments as he considers necessary;

(b) the Collector shall also have power to require any person known or believed to be interested in the land to deliver to him a statement containing as far as may be practicable, the name of every other person interested in the land as co-owner, mortgagee, tenant or otherwise, and the nature of such interest, and of the rents and profits, if any, received or receivable on account thereof for three years next preceding the date of the statement.”

(emphasis supplied)

## **Section 12 of the 1997 Act**

**“12. Payment of interest.**

**When the amount is not paid or deposited on or before taking possession of the land, the Government shall pay the amount determined with interest thereon at the rate of [nine per cent]**

*[Substituted for the expression, 'four per cent.' by the Tamil Nadu Acquisition of land for Industrial Purposes (Amendment) Act, 1999 (Tamil Nadu Act 2 of 2000).]* **per annum from the time of so taking possession until it shall have been so paid or deposited.”**

(emphasis supplied)

5. Section 7 of the 1997 Act is an exhaustive provision dealing with the determination of amount of compensation to be paid to the landowner or person interested over an acquired land. Sub-section (2) of Section 7 of the 1997 Act encourages and facilitates the determination of the amount payable to the owner or person interested through an agreement with the Government. It further stipulates that upon such an agreement, the resultant amount will have to be paid only as per the terms agreed, thereunder. Under sub-section (3) of Section 7 of the 1997 Act, a reference would be warranted to the Collector, only on the failure to reach such an agreement.
6. Sub-section (4) of Section 7 of the 1997 Act gives one more opportunity towards an amicable settlement between the parties. Thus, even after the issue pertaining to the determination of compensation is referred to the Collector under sub-section (3), an agreement can be entered into between the Government and the concerned individual. Upon such an agreement, the Collector shall make due compliance.
7. Therefore, after an agreement is entered into, the terms and conditions mentioned thereunder, along with the amount duly arrived at, alone would govern the parties. In other words, the agreement becomes sacrosanct, leading to the termination of the umbilical cord which connects the

agreement to the other provisions pertaining to the passing of the award under the 1997 Act. The object of these provisions is to arrive at a settlement by negotiation, while ensuring timely payment, by avoiding the circuitous route involving the procedure for passing of the award, reference and appeal.

8. Section 12 of the 1997 Act speaks of payment of interest at the rate of nine per cent per annum, from the time of taking possession until the compensation is either paid or deposited. Therefore, this provision gets triggered only after possession is taken and, thereafter, continues to be in force till the amount is paid or deposited. To make the aforesaid position clear, Section 12 of the 1997 Act has no application to a case where an agreement has been entered into between the parties. This is for the reason that a concluded contract under Section 7 of the 1997 Act, voluntarily entered into between the parties, would exclude itself from purview of the 1997 Act, thereafter.

### **FACTUAL BACKGROUND**

9. Lease agreements for the lands situated in villages Singanallur and Kalapatti of Coimbatore District were entered into between the land owners and the Department of Defence way back in the year 1942, pursuant

to which possession of the respective lands were handed over to the Department of Defence. These lands were used as an aerodome and later on transferred to the Department of Civil Aviation in the year 1947. Subsequently, they were transferred to the Airport Authority of India (AAI), who was paying the rent to the lessors/landowners. A tripartite agreement was arrived at between the AAI, the Government of Tamil Nadu and the land owners on 22.08.2006, whereby, a lease rent of 5% of the land value was finalized by consent, subject to re-valuation at regular intervals.

**10.** In the year 2011, as the lands were required for the purpose of expansion of the Coimbatore Airport runway, proceedings for the acquisition of the lands were initiated under the 1997 Act by issuing a show cause notice and public notice under Section 3(2) of the 1997 Act on 22.04.2011 and 30.04.2011 respectively, followed by the Gazette notifications of the acquisition under Section 3(1) the 1997 Act, which were published on 10.01.2013, 18.08.2015 and 13.10.2015. At this stage, litigation commenced between the parties as the land owners made claims, both for compensation and arrears of lease rent. Writ petitions were filed challenging the acquisition proceedings, while simultaneously seeking orders of injunction and stay of the proceedings. Incidentally, the backlog

of rent was also sought for. Orders of injunctions were granted in some cases, while in some other cases, the land owners obtained *status quo* from the year 2017. It was contended that the rental arrears were not paid.

11. An attempt was made to resolve the issue of compensation by duly invoking Section 7(2) of the 1997 Act. Accordingly, a meeting was convened between the Special District Revenue Officer, concerned officials of the AAI and the landowners on 06.03.2018, and an agreement was arrived at, wherein, compensation was fixed at the rate of Rs. 1500/- per sq.ft. for residential lands and Rs. 900/- per sq.ft. for agricultural lands. Consequently, some of the land owners withdrew their challenge to the acquisition proceedings.

12. *Vide* judgment dated 03.07.2019, the Division Bench of the Madras High Court, held the 1997 Act to be *ultra vires*. *Status quo* was ordered by this Court in the Special Leave Petitions filed challenging the above judgment. However, during the pendency of these petitions, the Government of Tamil Nadu revived the 1997 Act by enacting the Tamil Nadu Land Acquisition Laws (Revival of Operation, Amendment and Validation) Act, 2019.

13. By the Government Order passed in G.O. (Ms) No.173 dated 20.11.2019, the Report of the State Level Private Negotiation Committee fixing the

rates of compensation as decided in the meeting dated 06.03.2018 was, accordingly approved, and a sum of Rs. 189,29,71,894/- was ordered to be sanctioned towards payment of compensation to the landowners. We may also note that the valuation was so fixed by giving substantial enhancement to the then prevailing guideline value. In any case, it was fixed by consent.

**14.** During the pendency of the proceedings before the High Court, a direction was issued to the appellants to deposit the amount of compensation which was required to be disbursed in respect of the private respondents therein, and the same was duly complied with. Similarly, interim orders passed directing the AAI to pay the arrears of rent were also duly complied with. The Special Leave Petitions filed by the appellants were disposed of by taking note of the earlier judgment of this Court in **G. Mohan Rao & Ors. versus State of Tamil Nadu & Ors, (2022) 12 SCC 696** upholding the validity of the Tamil Nadu Land Acquisition Laws (Revival of Operation, Amendment and Validation) Act, 2019. By the impugned judgment dated 18.08.2020, the High Court was pleased to hold as under:

“59. When consent is given and an agreement to receive payment on certain terms and conditions is arrived at, then the same is a complete package and therefore, claiming of an additional amount as solatium or otherwise does not arise. The entire transaction cannot in any manner be treated less than a concluded agreement binding the consenting parties and the State Government as observed above. We, therefore, hold that the consent given and the negotiations finalized with regard to the rates was inclusive of all

claims in respect to compensation subject to the terms thereof. We may, however, clarify that after the agreement had been entered into and consent given, then any delay in payment would attract the payment of interest as indicated hereinafter.”

15. The High Court held that once the consent was given and an agreement to receive payment on certain terms and conditions was arrived at, then the same was a complete package and therefore, claiming of an additional amount as solatium or otherwise does not arise. However, on the contrary, the High Court proceeded to state that from the date of taking possession under the 1997 Act, which it reckoned from the date of issuance of the notice under Section 3(2) of the 1997 Act, till the date of the impugned judgment i.e. 18.08.2020, the landowners are entitled to interest. It invoked Section 12 of the 1997 Act, in support of its decision. Incidentally, it was held that for the period between the order of grant of stay up to the stage of surrender of challenge to the acquisition proceedings, the landowners shall not be entitled to any interest. The said part of the judgment has become final. We may profitably quote the relevant passage of the judgment under challenge:

“61. A perusal of the said Section, in our opinion, leaves no room for doubt that in the instant case the possession was already with the Government, though on lease. However, for the purpose of the present case, it would be appropriate to presume that the date of taking over possession under the 1997 Act would be the date on which notification under Section 3(2) came to be issued. The petitioners would, therefore, be entitled to payment of interest after the notification under Section 3(2) at the rates prescribed therein till date. The deduction will however be made in respect of any

amount of lease rent paid beyond the date of the notification under Section 3(2) of the 1997 Act. Apart from this, the petitioners themselves obtained an interim order of *status quo* and other orders restraining the respondents from raising constructions in the present batch of writ petitions. The petitioners had given up their challenge to the acquisition notification as is recorded in the order dated 25.3.2019 and acknowledged by the Court in the order dated 12.9.2019. In the said circumstances, this period between the grant of the stay order up to the stage of surrender made to the challenge of the notification i.e., 25.3.2019 has to be excluded for the purpose of award of interest. The petitioners would however be entitled for interest after deductions as aforesaid. This would be only in respect of those petitioners who had given their consent and on whose behalf the surrender to the challenge had been made on 25.3.2019 before this Court.”

**16.** Respondents – K. Arasappan and K. Sathappan before us, though placed differently, seek to be placed on the same footing as that of the other private respondents. This was taken note of by this Court at the time of passing the interim order dated 12.01.2022 facilitating them to receive compensation at the rate of Rs. 900/- per sq. ft. We have been informed that the said respondents have received compensation at the rate of Rs. 1500/- per sq. ft., in pursuance of the order passed by the High Court. We do not wish to go into the said issue any more, as the appellants have chosen not to press the same.

**17.** Aggrieved by the direction of the High Court to pay the interest from the date of issuance of the notice under Section 3(2) of the 1997 Act, till the date of the impugned judgment, which according to the appellants would

amount to a sum of Rs. 1800/- crores, the instant appeals have been preferred.

### **SUBMISSIONS OF THE APPELLANTS**

**18.** The prevailing guideline value of 2011, was hiked by 250% while fixing the compensation by negotiation between the parties. Having-agreed to the said compensation, it is not open for the landowners to resile from the same. The respondents are estopped from raising a contrary plea. They shall not be allowed to approbate and reprobate. An agreement under Section 7(2) of the 1997 Act being final, the High Court ought not to have invoked Section 12 of the 1997 Act for the payment of interest. All the relevant factors have been taken into consideration while fixing the amount agreed upon. This would only mean that it brought to an end every other possible dispute, which is inclusive of the compensation, rent and interest. The High Court has committed a fundamental error in having taken recourse to Section 12 of the 1997 Act, after giving a clear finding that the agreement is a complete package. Thus, the contract once concluded, cannot be reopened and that too, by way of a writ petition under Article 226 of the Constitution of India.

## **SUBMISSIONS OF THE AIRPORT AUTHORITY OF INDIA**

**19.** The learned ASG appearing for the respondent-AAI would submit that the AAI has nothing to do with the present dispute. It is submitted that the interim order for the payment of arrears of rent passed by the High Court has already been complied with. In any case, there is no privity of contract between the AAI and the private respondents.

## **SUBMISSIONS OF THE PRIVATE RESPONDENTS**

**20.** The learned Senior counsel appearing for the private respondents submitted that, what the respondents are entitled to in law cannot be denied to them. There is no finality to the agreement entered into, and what is to be determined is just and fair compensation that they are entitled to receive. There is no express exclusion of Section 12 of the 1997 Act. As the High Court has rightly considered the relevant materials in coming to its conclusion and the respondents, being the original land owners, having lost the possession of their lands for a considerable number of years, the impugned order does not require to be interfered with.

## **DISCUSSION**

**21.** Sections 7(2) and 7(4) of the 1997 Act exhibit a laudable objective. They facilitate land owners or interested persons to negotiate and arrive at an

agreement on the amount of compensation to be paid. Once such an agreement is arrived at, it becomes a concluded contract under Section 3 of the Indian Contract Act, 1872. The rights and liabilities of the parties would only be governed by the terms of the contract. Hence, a contract voluntarily entered into between the parties, shall not be disturbed by taking recourse to the statutory provisions, which are sought to be excluded by such contract. A party to a contract cannot be permitted to have recourse to two different modes, especially after having accepted the compensation under the contract without any demur or protest. It is not open to either of the parties to resile from the terms of the agreement arrived at. We may note that the issues of rent and compensation were raised even earlier. These issues were put to an end through the agreement. Therefore, the private respondents are totally estopped from seeking any relief beyond the terms of the contract.

**22.** In our considered view, the High Court, after having correctly considered the contract along with the rights and liabilities of the parties arising under it, has wrongly pressed into service Section 12 of the 1997 Act, which is a provision for the payment of interest from the date of taking possession till the date of payment or deposit of the amount. Under the contract, no room

is given to any of the parties to seek any remedy available under the Act.

Once there is a final agreement, all disputes with respect to determination of rent and interest would get subsumed within the contract itself. Any interpretation to the contrary, would be violative of Section 7(2) and Section 7(4) of the 1997 Act.

**23.**It is not as if the agreement has been entered into by force or deceit. There is no suppression of fact or any element of fraud. Therefore, it can be seen that the private respondents were initially inclined to accept the amount determined by way of a final agreement. It is only thereafter, wisdom dawned upon them to seek interest. Thus, it is a clear case of approbation and reprobation. The said doctrine of probate and reprobate has been enunciated by this Court in the case of **Union of India and Others v. N. Murugesan and Others, (2022) 2 SCC 25:**

**“Approbate and reprobate:**

**26.**These phrases are borrowed from the Scots law. They would only mean that no party can be allowed to accept and reject the same thing, and thus one cannot blow hot and cold. The principle behind the doctrine of election is inbuilt in the concept of probate and reprobate. Once again, it is a principle of equity coming under the contours of common law. Therefore, he who knows that if he objects to an instrument, he will not get the benefit he wants cannot be allowed to do so while enjoying the fruits. One cannot take advantage of one part while rejecting the rest. A person cannot be allowed to have the benefit of an instrument while questioning the same. Such a party either has to affirm or disaffirm the transaction. This principle has to be applied with more vigour as a common law principle, if such a party actually enjoys the one part fully and on near completion of the said

enjoyment, thereafter questions the other part. An element of fair play is inbuilt in this principle. It is also a species of estoppel dealing with the conduct of a party. We have already dealt with the provisions of the Contract Act concerning the conduct of a party, and his presumption of knowledge while confirming an offer through his acceptance unconditionally.”

(emphasis supplied)

24. This Court has repeatedly held that a settlement arrived at under the concerned statute cannot be allowed to be reopened or modified.

### **Ranveer Singh v. State of Uttar Pradesh (2016) 14 SCC 191**

**“14. This sub-section (2) of Section 11 begins with a non obstante clause which makes it free of the requirements of sub-section (1) if all the persons interested in the land agree in writing as to what matters should be included in the award of the Collector. Thereupon the Collector is competent to make an award as per agreement without making further enquiry. In view of such clear provision that permits agreement to determine all the matters to be included in the award, all the inclusions and omissions in the consent award must be treated as based upon agreement of the parties and the final amount determined by way of agreement must be taken as a completely just compensation inclusive of the statutory interest payable to the claimant for the land concerned at least on the date of agreement. Since the agreed compensation amount is accepted without protest with a clear stipulation not to claim any additional amount, it has to be deemed that the compensation reflected in the consent award has taken into account all relevant factors including interest till the date of agreement. Moreover, the right to seek reference for enhancement itself gets lost by accepting the compensation without protest especially when there is an agreement that the landowner shall not claim any amount in addition to the amount agreed upon as compensation and shall accept the compensation without any protest. In such circumstances agreed amount has to be treated as a just compensation permitting no addition or substitution whatsoever. In other words, not only the remedy under the Act of seeking enhancement is lost but the substantive cause of action also vanishes when the landowner agrees for a consent award and the amount of compensation is accepted without any protest.”**

(emphasis supplied)

**Indore Development Authority v. Manoharlal and Others, (2020) 8 SCC 129**

“290. ....Approaching this case in that way, *I cannot help feeling that the legislature had not specifically in mind a contingent burden such as we have here. If it had, would it not have put it on the same footing as an actual burden? I think it would. It would have permitted an increase of rent when the terms were so changed as to put a positive legal burden on the landlord.* If the parties expressly agreed between themselves the amount of the increase on that account the court would give effect to their agreement. But if, as here, they did not direct their minds to the point, the court has itself to assess the amount of the increase. It has to say how much the tenant should pay “in respect of” the transfer of this burden to the landlord. It should do this by asking what a willing tenant would agree to pay and a willing landlord would agree to accept in respect of it. Just as in the earlier cases the courts were able to assess the value of the “fair wear and tear” clause, and of a “cooker”, so they can assess the value of the hot water clause and translate it fairly in terms of rent; and what applies to hot water applies also to the removal of refuse and so forth. I agree that the appeal should be allowed, and with the order proposed by Asquith, L.J.”

(emphasis supplied)

**State of Karnataka and Others v. Sangappa Dyavappa Biradar and Others, (2005) 4 SCC 264**

“13. An award under the Act is passed either on consent of the parties or on adjudication of rival claims. For the purpose of passing a consent award, it was not necessary to comply with the provisions of Article 299 of the Constitution. An agreement between the parties need not furthermore be strictly in terms of a prescribed format.

14. The respondents having accepted the award without any demur were estopped and precluded from maintaining an application for reference in terms of Section 18 of the Act. It is also trite that by reason of such agreement, the right to receive amount by way of solatium or interest, etc. can be waived.”

(emphasis supplied)

**NOIDA Industrial Development Authority v. Ravindra Kumar, (2022) 13 SCC 468**

“18. The third question is whether the relief of the grant of market value in terms of the 2013 Act could have been denied to the landowners who had

accepted the compensation by agreement in terms of the Karar Niyamawali. The High Court has given reasons for adopting the said approach. The main reason is that without any grievance, the landowners voluntarily accepted the compensation by an agreement in terms of the Karar Niyamawali. After lapse of considerable time thereafter, the landowners chose to file writ petitions in the High Court. After having acquiesced to the action of the Government by accepting the compensation under an agreement, the landowners were not justified in making a grievance at a belated stage. Therefore, we find no error with the view taken by the High Court in relation to those landowners who had accepted compensation under Karar Niyamawali.”

(emphasis supplied)

### **State of Gujarat and Others v. Daya Shamji Bhai and Others (1995) 5 SCC 746**

“3. Notification under Section 4(1) of the Land Acquisition Act, 1894 (for short “the Act”) was published on 18-12-1980 acquiring large extent of lands for the purpose of irrigation Dam No. 2 Project. The landowners had given their consent in writing on 11-3-1983 agreeing to accept the compensation determined by the Land Acquisition Officer and 25 per cent more thereof and also agreed not to seek any reference under Section 18. The market value was determined by the Collector on 25-3-1983 and 25 per cent in addition thereto was awarded. Respondents were paid in terms of the consent agreements signed by the respondents and sanctioned by the Superintending Engineer, Rajkot. Subsequent thereto, the respondents sought for reference under Section 18 on 26-4-1986. The Assistant Judge, Rajkot by his award and decree dated 29-6-1991 enhanced compensation to the rate of Rs 200 per acre for Bagayat land and Rs 140 per acre for Jirayat land. Feeling aggrieved, when the appellants filed appeals, the Gujarat High Court confirmed the same by the impugned judgment and decree dated 3-7-1992. Thus these appeals by special leave.

4. The only question is whether the claimants of the land are entitled to seek reference under Section 18 and the civil court can determine higher compensation. Section 11(2) of the Act empowers the parties to enter into an agreement and an award in terms thereof is permissible. In the agreement they had specifically accepted that owners would receive compensation and 25 per cent of the compensation in addition and had agreed to forgo their right to seek reference under Section 18 of the Act. The owners and the Special Land Acquisition Officer had agreed under Section 11(2) of the Act that the Land Acquisition Officer would make the award in terms of the contract. Clause 14 of the agreement reads thus:

**“The landowners will not go to any court under Section 18 of the Act.”**

(emphasis supplied)

**Nathani Steels Ltd. v. Associated Constructions, 1995 Supp (3) SCC 324**

“3. The appellant has invited our attention to two decisions of this Court. The first dated 1-10-1993 in *P.K. Ramaiah and Co. v. Chairman & Managing Director, National Thermal Power Corp. [1994 Supp (3) SCC 126]* and second, dated 4-2-1994 in *State of Maharashtra v. Nav Bharat Builders [1994 Supp (3) SCC 83]*. In the first mentioned case the parties had resolved their disputes and differences by a settlement pursuant whereto the payment was agreed and accepted in full and final settlement of the contract. Thereafter, brushing aside that settlement the Arbitration clause was sought to be invoked and this Court held that under the said clause certain matters mentioned therein could be settled through Arbitration but once those were settled amicably by and between the parties and there was full and final payment as per the settlement, there existed no arbitrable dispute whatsoever and, therefore, it was not open to invoke the Arbitration clause. In the second mentioned case the respondent-Contractor acknowledged the receipt of the amount paid to him and stated that there was unconditional withdrawal of his claim in the suit in respect of the labour escalation. There was, thus, full and final settlement of the claim and it was contended that no arbitrable dispute survived in relation thereto. Other claims, if any, and which were not settled by and between the parties could be raised and it would be open to consider whether the arbitrable dispute arose under the contract necessitating reference to arbitration. Dealing with this question also this Court after referring to the decision in *P.K. Ramaiah* case [1994 Supp (3) SCC 126] concluded that in relation to the claim under the head ‘labour escalation’ there did not remain any arbitrable dispute which could be referred to arbitration. **It would thus be seen that once there is a full and final settlement in respect of any particular dispute or difference in relation to a matter covered under the Arbitration clause in the contract and that dispute or difference is finally settled by and between the parties, such a dispute or difference does not remain to be an arbitrable dispute and the Arbitration clause cannot be invoked even though for certain other matters, the contract may be in subsistence.** Learned counsel for the respondent, however, placed great emphasis on an earlier decision of this Court in *Damodar Valley Corp. v. K.K. Kar [(1974) 1 SCC 141]* and in particular to the observations made in paras 11 to 13 of the judgment. It may, at the outset, be pointed out that a similar argument was advanced based on the observations made in this decision, in *Ramaiah* case [1994 Supp (3) SCC 126] also (vide para 7) but the same was rejected holding that on the facts since the respondent did not

give any receipt accepting the settlement of the claim, the payment made by the other side was only unilateral and hence the dispute subsisted and the Arbitration clause in the contract could be invoked. Therefore, that decision can be distinguished on facts. Even otherwise we feel that once the parties have arrived at a settlement in respect of any dispute or difference arising under a contract and that dispute or the difference is amicably settled by way of a final settlement by and between the parties, unless that settlement is set aside in proper proceedings, it cannot lie in the mouth of one of the parties to the settlement to spurn it on the ground that it was a mistake and proceed to invoke the Arbitration clause. If this is permitted the sanctity of contract, the settlement also being a contract, would be wholly lost and it would be open to one party to take the benefit under the settlement and then to question the same on the ground of mistake without having the settlement set aside. In the circumstances, we think that in the instant case since the dispute or difference was finally settled and payments were made as per the settlement, it was not open to the respondent unilaterally to treat the settlement as non est and proceed to invoke the Arbitration clause. We are, therefore, of the opinion that the High Court was wrong in the view that it took.”

(emphasis supplied)

The power under Article 226 of the Constitution of India is both discretionary and extraordinary. Unless circumstances so warrant, there shall not be any interference in a concluded contract. By the impugned judgment, the High Court has rewritten the agreement arrived at between the parties. In any case, there cannot be any payment of interest from the date of notice under Section 3(2) of the 1997 Act till the date of the impugned judgment. We may also note that for the subsequent period, the High Court has declined to grant any interest. Suffice it is to state that the impugned judgment cannot be sustained in the eyes of law to the extent of payment of interest, as it sought to apply Section 12 of the 1997 Act to a

voluntary agreement entered into between the parties under Section 7 of the 1997 Act.

**25.**For the foregoing reasons, we have no hesitation in setting aside the impugned judgment to the aforesaid extent. Accordingly, the same stands set aside. Consequently, the appeals are allowed.

**26.**Pending application(s), if any, shall stand disposed of. No order as to costs.

..... J.

**(M. M. SUNDRESH)**

..... J.

**(NONGMEIKAPAM KOTISWAR SINGH)**

NEW DELHI;

NOVEMBER 19, 2025