

ASHOK IRON WORKS LIMITED VS KARNATAKA POWER TRANSMISSION LTD.

Revant Sinha *

Bench - Justice Markandey Katju and Justice R.M. Lodha

Year of the case - 2009

Appellant - Karnataka Power Transmission Commission

Respondent - Ashok Iron Works Ltd.

Acts Involved - Consumer Protection Act, 1986

INTRODUCTION

The **Consumer Protection Act, 1986** is a social welfare act that was made for the simple and fast redressal to solutions related to the consumers and their issues and to ensure that the consumers get their proper goods and services. This act creates certain rights for consumers. Only the consumers which are defined as under the provisions of the act can come to the consumer redressal courts for their grievances. It also encourages the state and central government to establish a consumer redressal centre at every district to help the consumers with their grievances.

Consumers under the act is defined as 'persons' or 'corporations' who have brought some goods and services and paid for it partly or fully or promised to pay for the good and service for which the buyer's permission is required and when that kind of agreement is done the good and services fall under the purview of the Consumer protection act. The whole issue of the case is relating to the definition of the term consumer under the scope of **Section 2(1)(d)(ii) Consumer Protection Act, 1986** other than the definitions of terms

The Ashok Ironworks is a private company that deals with the manufacturing of iron products and as a factory requires electricity, it has factories in many states of India and the problem was faced by its Bangalore branch, where the appellant made a contract with the respondent to supply them with the electricity but when the appellant did not start the supply and the respondents went to the Karnataka High court, the court ordered the

appellant to start the decided supply of electricity started four months after the decided time of supply of electricity, and when the respondent went to the Consumer redressal commission the appellant stated that the respondent does not come under the word 'Consumer' under the of **Section 2(1)(d)(ii) Consumer Protection Act, 1986**.

FACTS RELATING TO THE CASE

The main respondent of the case which is Ashok Iron Works Ltd was a private company which was engaged in the manufacturing of Iron Products, for a company and a manufacturing centre to run they needed a good supply of electricity which is why they applied to the Karnataka Power Transmission commission (KPTC) to supply them with 2500 KV of electricity. This deal was cleared and they were cleared to get 1500 KVA of supply for which the Ashok Iron works submitted a total of Rs. 8,40,000 to the KPTC on 1st February 1991.

But as per the demand of the company, the KPTC did not supply Ashok Iron works their needed supply of electricity as a result the Ashok iron works Ltd went to the Karnataka High Court against KPTC where the High Court on **16th July 1992** directed KPTC to start the electricity supply to the company and KPTC demanded an additional Rs. 8,38,000 and a sum of Rs. 1,34,00 from the company and the respondent deposited the same to them. However, the supply began in November even after the high court order and the respondent depositing the additional money demand from them.

Therefore, the respondent went to Consumer Redressal Commission, Belgaum under **Consumer Protection Act 1986** to claim damages of Rs. 99,000 from the appellant, for delays in the supply of electricity. KPTC contested that complaint basing it on the relevance of the complaint and stated that it was not maintainable under the Consumer Protection Act 1986, as the sale of electricity was good and the sale of goods of commercial value for commercial purposes does not come under the ambit of the 1986 act. The decision of the District Consumer Redressal Commission gave the judgement in the favour of the KPTC stating that the complaints are not maintainable under the purview of the consumer Protection act 1986 on the date **10th September 1993**.

Respondent re-appealed to Karnataka State Consumer Redressal Commission (for short it is called the State commission), challenging the decision of the District Consumer redressal

commission. The State Commission on **15th June 1995**, set aside the order of the district commission and withheld the judgement in the favour of Ashok Iron Works Ltd. stating that the respondent is a consumer which is defined under of **Section 2(1)(d)(ii) Consumer Protection Act, 1986** and the respondent is a consumer.

The appellants challenged the order of the State Commission order in the National Consumer Redressal Commission, Stating the same reason that the scope of **Section 2(1)(d)(ii) Consumer Protection Act, 1986** must be checked and the respondents are not a consumer under it. The appeal was however dismissed by the National Consumer redressal commission.

The appellants then went ahead to the Supreme Court challenging the order of the National Commission basing their arguments on the based on three main issues which are as follows:

- Ashok Ironworks Ltd. was not a person under section 2(1)(m) of the **Consumer Protection Act, 1986**
- Ashok Iron Works Ltd. was not a consumer under section 2(1)(d) of the **Consumer Protection Act, 1986**
- A dispute relating to the supply of electricity does not come under the ambit of the **Consumer Protection Act, 1986**

Court reached the conclusion and the decision which was held by a two-judge bench was guided by the judgement made earlier in the case of Southern Petrochemical Industries Co Ltd V. Electricity Inspector & ETIO.¹

CONTENTIONS PRESENTED BY BOTH THE PARTIES

Plaintiff: The learned counsel of the KPTC, gave the following arguments -

The appellant which is the Ashok Iron Works is not a person which comes under the ambit of Section **2(1)(m)** of the Consumer Protection Act, and the complaint made by them is not maintainable and incompetent as they are not a consumer under the **section 2(1)(d)** of the **Consumer Protection Act**. The appellant under the **consumer protection act 1986**

¹ (2007) 5 SCC 447- Southern Petrochemical Industries Co Ltd V. Electricity Inspector & ETIO

section 2(1)(d) is not a 'consumer' as they purchased the electricity for commercial purposes and not personal use. The expression of service under **section 2(1)(o) of the Consumer Protection Act**, and the sale and supply of electricity in this matter do not come under the ambit of the Consumer Protection Act and hence the complaint is not maintainable and is incompetent.

The respondent should not have gone to the Consumer redressal forum for the solutions to their grievances and as the court has decided in the case of SDO, Electricity, and Anr. v. B.S.Lobana² stated that the respondents should have gone to the Electric inspector under section 26(6) of the Electricity Act. The sale of electricity in this case does not come under the term 'service' under the consumer protection law and comes under the electricity act.

Respondent:

The respondents held that the definition of the term consumer under the Consumer Protection Act makes the complaint maintainable and competent as the sale was done under a relationship of the consumer and a company from whom the sale was done. Therefore, the learned counsel of the respondent held that the ambit of the term 'service' and 'person' was well read and the complaint is maintainable under the Consumer Protection Act and when they decided to go to the Consumer Redressal Forum, they were right in choosing so as it was a consumer code violation.

ISSUES

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Whether a private company can be considered under the ambit of the term 'Consumer' if the company is Purchasing service for commercial use.

- Whether the complaint regarding the delay or deficiency in the services can be raised in the Consumer redressal Commissions which are established under the Consumer Protection Act, 1986.
- Whether a company is considered a consumer under section 2 (1)(d) and section 2(1)(m) of the Act.
- Whether services under section 2 (1)(o) consist of disputes which are related to the

² SDO, Electricity and Anr. v. B.S. Lobana; (2005) 6 SCC 280

sale and supply of electricity?

JUDGEMENT

The judgement was given by a Two judge bench of Justice Markandey Katju and RM Lodha and they gave the judgement gave in the favour of the respondent which is Ashok Iron Works Limited, they stated that Ashok Ironworks is a 'consumer' which comes under the purview of the Consumer Protection Act,1986.³ They further added that appellant (Karnataka Power transmission commission) failing in supplying the electricity on time is a case of Consumer deficiency and the consumer can go to Consumer Court for their grievances and Ashok Iron Works Ltd. When they went to the National Consumer redressal commission, they were right at that moment. The court ignored the wording which was stated by the KPTC that is 'respondent cannot be considered as a consumer because it purchased the goods for the commercial purpose.'

RELATED PROVISIONS

Consumer Protection Act, 1986 section 2(1)(d) - The Definition of Consumer- A consumer is a person who buys any goods and services for which a person pays fully or partially or promises to pay the amount after the delivery of the goods and services after the permission of the buyer.

Hires any service for goods and services for which the consumer pays fully or partially or promises to pay the amount after the completion of the services after the permission of the buyer.

Consumer Protection Act, 1986 section 2(1)(m)-The Definition of the term person-The term 'person' refers to-

- a firm whether it has registered or not;
- a Hindu undivided family;
- a cooperative society;
- every other group of persons registered

Consumer Protection Act, 1986 section 2(1)(o)- The Definition of 'service'- defined as

Service' means service of any sort of help and assistance which is made available to potential users of a particular company which is related to any field.

CASE ANALYSIS

This case is a landmark judgement in the history of the Consumer Protection Act. The act defined the three important terms and defined the real aspects of the Consumer Protection Act, 1986 which is very important for future references as there will be a lot of future cases where the consumers and corporations will have conflict, and the validity and scope of the Consumer Protection Act 1986, can be challenged in future confrontations. The judgement of the case of Ashok Iron Works Ltd. vs the Karnataka Power Transmission Commission which was given by the Supreme Court of India defined the ambit and scope of the term 'Consumer' that come under the 1986 act and apart from that the other terms which are the 'person' and 'service' under the Consumer Protection Act, 1986.

The Ashok Iron Works which was the respondent of the case applied for the electric supply from the KPTC in order to its factories to work and since the KPTC did not supply them the required electricity, and even after the order of the Karnataka High Court they started supplying the electricity after four months and when the appellant went to the Consumer commission and when the state commission made the judgement in the favour of the respondent, the appellants went to the Supreme Court, challenging the decision and stated that the respondent has appealed under the wrong act as they are not a consumer under the Consumer Protection Act, 1986 as they purchased the electricity for commercial use and it does not come under the ambit of the 1986 act.

The Supreme Court, however, redefined and rechecked the definitions of the terms and decided that the Respondent i.e., the Ashok Ironworks have gone to the right place to complaint as the Consumer related issues and stated that the Respondent is a consumer under 1986, act as they are also considered as consumers under the purview of Consumer Protection Laws in India.

CONCLUSION

The main fact of the matter was the definition and scope of the word 'consumer' in the terms of the **Consumer Protection Act, 1986** as the whole case revolved around finding and defining the meaning of this term. The appellant after failing to do their duty to supply the

required electricity to the Ashok Ironworks, Bangalore branch and even after taking extra money from the company and the directions of the Karnataka High Court started the supply after four months and when the respondent went to the Consumer Redressal Commission, they did not consider the claim of damages of the respondent under the **Consumer Protection Act, 1986**. The Supreme Court however defined the scope and extent of the Act and this act became one of the most important landmark judgements in cases related to the Consumer Protection Law. In many consumer court-related cases, the definition of the terms is taken with reference to this judgement.

