

**CASE COMMENT: A.R MADANA GOPAL V. M/S. RAMNATH PUBLICATIONS
PVT. LTD.**

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INTRODUCTION

The Supreme Court of India clarified the circumstances under which specific performance of a contract can be forbidden in the April 2021 decision of A.R. Madana Gopal v. Ramnath Publications Pvt. Ltd. Despite the Specific Relief Act, of 1963, which was amended in 2018, the Court found exclusions to the general requirement of specific performance. It decided that if the legally binding agreement is unfair, unenforceable, or would put one of the parties through excessive hardship to enforce, specific performance may be refused. When justice and pragmatism are at issue, these standards provide confidence that judges will have the competence to reject specific performances.

FACTS OF THE CASE

The argument centres on the appellants' attempt to buy four properties from the respondents, with a four-month deadline for the completion of the sale deeds. To speed up this procedure, the respondents asked the Income Tax office for a clearance certificate. On the other hand, the respondents filed writ petitions in Court in opposition to the authorities' descending order for the property's forced seizure. The two parties signed four Memorandums of Understanding (MoUs) during the time frame in question. The respondents stated that the sale document could only be executed after the writ petitions and the property acquisition dispute had been settled in response to the appellants' later demand for it. In response to these delays, the parties appealing submitted a request for the contract's specific performance. Once, it became apparent that the property in question had already been forfeited, the High Court's Single Judge granted this petition. Nonetheless, the Division Bench of the High Court reversed the Single Judge's order in response to the respondents' objection. The appellants filed an appeal with the Supreme Court after becoming dissatisfied with the Division Bench's ruling. In deciding if it was necessary to provide specific performance, the Supreme Court underscored the necessity of equity and pragmatism in upholding these kinds of contractual arrangements.

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ISSUES RAISED

Is it correct that the Division Bench of the High Court refused the appellants particular relief since they failed to pay the remaining sum as soon as the writ petitions were resolved?

What are the potential justifications for rejecting a specific performance?¹

CONTENTIONS OF APPELLANT

The appellants argued that in August 1994, they had already paid the respondents 90% of the total amount due for the properties, resulting in their being granted partial possession. They were informed that the agreements would only be finalized once the writ appeal was resolved. They contended that the agreements and the Memorandums of Understanding (MoUs) should be interpreted together. They emphasized a specific portion of the agreement that stated, "The payment should be made at the time of registration of sale deeds immediately after disposal of writ petitions." The appellants believed the High Court overemphasized the word "immediately," overlooking the fact that the sale deeds were not registered at that time.

The appellants filed for specific performance² after learning that the property had been seized. They argued that it could not be claimed that they delayed filing the lawsuit since they were always ready to fulfil their part of the bargain and make the remaining payment. They asserted that the delay in completing the agreements was due to the ongoing appeal filed by the Income Tax Authority.

Furthermore, the appellants claimed that their suit for specific performance³ was not time-barred and they were entitled to specific relief. They relied on the amended Section 10 of the Specific Relief Act, 1963⁴, which mandates that specific performance must be enforced compulsorily, removing the Court's discretion in such matters.

The appellant's position was that they had acted in good faith and were prepared to complete the transaction once the legal hurdles were cleared. They believed that the Division Bench of the High Court had erred in overturning the Single Judge's decision that had granted them specific performance. The appellants maintained that the High Court had misinterpreted the

¹ <https://indiankanoon.org/doc/918516/> accessed 9 July 2024

² <https://blog.ipleaders.in/when-specific-performance-of-contract-is-enforceable/> accessed 9 July 2024

³ <https://www.legalservicesindia.com/article/1587/Suit-For-Specific-Performance-of-Contract-in-India.html> accessed 9 July 2024

⁴ Specific Relief Act 1963, s 10

agreements and the Memorandum of Understandings and that their actions were justified given the circumstances surrounding the property's seizure and the pending legal issues. They sought the Supreme Court's intervention to enforce the specific performance of the contract⁵, in line with the amended provisions of the Specific Relief Act, of 1963.

CONTENTIONS OF RESPONDENT

The respondents argued that timing was crucial in the agreements and Memorandum of Understanding between the parties. Despite the petitions being dismissed in their favour, they contended that the appellants had delayed filing actions for specific performance by two years and three months. This delay was significant because time was of the essence. Additionally, they emphasized that the property was located in Chennai, where price inflation is a considerable concern.

The respondents also pointed out that the agreements did not contain a clause granting the appellants possession of the property. Despite this, the appellants had attempted to impede the Indian Bank's ownership of the property and had taken control of a portion of it. The respondents claimed that the appellants could not provide evidence to support their possession claims. They believed these actions demonstrated the appellants' neglect and lack of urgency, undermining their entitlement to specific performance.

Overall, the respondents argued that the appellants' delay and improper actions, coupled with the significant inflation concerns in Chennai, justified the rejection of specific performance. They believed the Division Bench was correct in overturning the Single Judge's decision, and they urged the Supreme Court to uphold this ruling.

JUDGEMENT

The Honourable Court agreed with the appellants that the High Court had erred in its conclusion by overlooking the phrase "at the time of registration of sale deeds." This phrase indicated that the remaining payment would be due at the time of registration, which should occur immediately after the resolution of the writ petition. The Court acknowledged the appellants' argument that the delay in filing the lawsuit was due to the appeal by the Income Tax Authority. It recognized that the appellants were justified in their delay. The Court ruled that the denial of specific relief could not be solely based on the appellants' failure to pay the

⁵ <https://blog.ipleaders.in/when-specific-performance-of-contract-is-enforceable/> accessed 9 July 2024

outstanding balance. Additionally, the Court found it unacceptable to refuse relief based on the appellants not specifying how they obtained possession of the property. The Court also addressed the respondents' claims regarding the appellants' actions. It noted that despite the appellants' trespassing and causing disruptions, specific relief could not be denied on these grounds because Indian Bank was merely a creditor, not a tenant. The Court concluded that these actions did not warrant the denial of specific performance. In summary, the Court determined that the High Court had improperly interpreted the agreements and failed to consider the appellants' justified reasons for delay. It ruled that specific performance should be granted, emphasizing that the appellants' actions and the phrase in the agreement about the registration of sale deeds supported their case. The decision underscored the importance of equitable considerations and the proper application of the Specific Relief Act, of 1963, particularly after its 2018 amendment.

ANALYSIS

The case of *A.R. Madana Gopal v. Ramnath Publications Pvt. Ltd* provides valuable insights into the nuances of specific performance of contracts and the considerations involved in such legal proceedings. One key aspect of the case was the interpretation of the agreements and Memorandums of Understanding (MoUs) between the parties. The appellants argued that the agreements should be read together and emphasized specific clauses regarding the timing of payments and registration of sale deeds. This highlights the importance of clear and precise drafting of contracts to avoid ambiguity and disputes in the future. The respondents contended that timing was crucial in the agreements and emphasized the delay of two years and three months by the appellants in filing for specific performance. This raises the question of whether delays in fulfilling contractual obligations should impact the enforceability of specific performance⁶, especially in cases where external factors contribute to the delay. The Supreme Court's decision underscored the importance of equity and feasibility in enforcing specific performance contracts. The Court identified exceptions where specific performance may be denied, such as if the contract is inequitable, impossible to enforce, or causes undue hardship. This highlights the balance between upholding contractual obligations and ensuring fairness in legal remedies. The case also sheds light on the discretion of courts in granting or denying specific performance. Despite the general mandate of specific performance under the Specific

⁶ <https://blog.ipleaders.in/when-specific-performance-of-contract-is-enforceable/> accessed 9 July 2024

Relief Act⁷, courts have the authority to refuse specific performance in certain circumstances to uphold principles of fairness and practicality. The decision in this case sets a precedent for a more nuanced and equitable approach in contract enforcement, aligning with the amendments to the Specific Relief Act, of 1963. It emphasizes the importance of considering various factors, such as rising property prices and delays not attributable to the claimant's fault, in determining the enforceability of specific performance. In conclusion, the case of A.R. Madana Gopal v. Ramnath Publications Pvt. Ltd highlights the complexities involved in the specific performance of contracts and the need for a balanced approach that considers equity, fairness, and practicality in legal proceedings. It underscores the importance of clear contractual terms, timely fulfilment of obligations, and the discretion of courts in granting specific performance.

CONCLUSION

The Supreme Court, in the A.R. Madana Gopal case, clarified the parameters for granting or refusing specific performance. It emphasized that rejecting specific performance would undermine the provision of equitable remedies. The Court ruled that factors such as rising property prices, failure to plead the mode of possession and delay in paying the remaining balance are insufficient grounds for denial. The decision underscored that baseless allegations and minor procedural issues should not prevent the enforcement of specific performance. The Court's interpretation highlights the importance of fairness and equity, ensuring that justified claims are honoured, particularly when delays are not due to the claimant's fault. This case sets a precedent for a more nuanced and equitable approach in contract enforcement, aligning with the amendments to the Specific Relief Act, of 1963.

⁷ Specific Relief Act 1963, s 10