



THE INTEGRATION OF ARTIFICIAL INTELLIGENCE IN JUDICIAL DECISION-MAKING: EXAMINING AI HALLUCINATIONS AND JUDICIAL INTEGRITY IN POOJA RAMESH SINGH VS JAMMU AND KASHMIR BANK LTD.

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ABSTRACT

The integration of Artificial Intelligence (AI) into the legal system has enhanced the efficiency of legal research and judicial processes while raising concerns regarding accuracy, accountability, and judicial integrity. This case comment examines Pooja Ramesh Singh v. Jammu and Kashmir Bank Ltd., in which the Supreme Court of India addressed the use of AI-generated hallucinated legal authorities in judicial proceedings. The Court found that the National Company Law Tribunal (NCLT) had relied on fabricated and incorrectly cited judicial precedents, ultimately setting aside the orders of the NCLT and the National Company Law Appellate Tribunal (NCLAT) and remanding the matter for fresh consideration. The judgment highlights the risks associated with unverified AI-generated legal material and reinforces the responsibility of lawyers and judges to authenticate authorities before relying upon them. It also emphasises the necessity of human oversight in judicial decision-making. This comment critically analyses the judgment's implications for responsible AI adoption, professional accountability, and the preservation of judicial integrity in India's evolving legal landscape.

Keywords: Artificial Intelligence, AI Hallucinations, Judicial Integrity, Judicial Accountability, Human Oversight

INTRODUCTION

AI has rapidly grown and is being incorporated into almost every sector of work, including multiple sectors of the legal profession, whether it be research, assisting lawyers or assisting courts in processing large volumes of legal information. It's now honestly hard to imagine our

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daily life or professional life without the use of AI. However, the amalgamation of AI and the judicial decision-making process raises certain grave concerns regarding accountability, accuracy, as well as preservation of judicial integrity. These concerns are becoming more serious because AI-hallucinated materials are being presented as legal precedent. The challenge here lies not just in the incorporation of AI into law, but in the regulation of the use of AI in judicial decision-making and its use in the legal system. This concern was brought into the light in *Pooja Ramesh Singh v Jammu and Kashmir Bank Ltd.*, where the Court confronted the use of AI-hallucinated material in judicial proceedings. This particular case had arisen from an insolvency dispute, but later stretched to wider significance and became an important case concerning AI and judicial decision-making. The case was heard by a Bench comprising Justice Pamidighantam Sri Narasimha and Justice Alok Aradhe and was decided on 2 July 2026.

The Supreme Court in this case found that the NCLT had relied on several non-existent authorities and AI-hallucinated material as legal precedents. It set aside the decisions of both the NCLT and the NCLAT and emphasised the statement that both lawyers and judges have a responsibility to verify AI-generated material before relying on it. This case comment analyses the factual background of the case, the reasoning of the Court, and critically analyses, with particular emphasis on the impact of AI-generated hallucinations on judicial integrity, accountability, decision-making, and accuracy. It also analyses the Court's approach to regulating the use of AI in judicial proceedings and the legal system while preserving human control at each stage.

FACTUAL BACKGROUND OF THE CASE

Pan India Utilities Distribution Company Ltd.(PIUDCL) had availed certain loan facilities from Jammu and Kashmir Bank, which were secured by a corporate guarantee given by EIL, the corporate debtor and corporate guarantor. Pooja Ramesh Singh was a suspended director of EIL at the relevant time. After PIUDCL defaulted on the credit facilities, Jammu and Kashmir Bank, the first respondent in the case, approached the NCLT, Mumbai, under Section 7 of the Insolvency and Bankruptcy Code, 2016, seeking initiation of corporate insolvency resolution proceedings against EIL. The NCLT admitted the application on 28 August 2024, appointed an Interim Resolution Professional and declared a legal moratorium under Section 14 of the Insolvency and Bankruptcy Code. Pooja Ramesh Singh challenged the order before the NCLAT, but the appeal was later dismissed on 11 September 2025.

The matter after that came before the Supreme Court, where the appellant's counsel, Ms Madhavi Divan, raised concerns regarding several authorities relied upon in the NCLT's judgment. The bench then found that the six cited judgments had either been incorrectly cited, contained paragraphs that did not exist in the original judgments, or did not exist at all. The bench also discussed that these authorities appeared to have been generated through AI and had been relied upon by the NCLT in support of its decision. Additionally, the respondent's counsel filed an affidavit stating that these authorities had not been cited by them before the NCLT. The Supreme Court therefore noted that the material appeared to have been obtained through the NCLT's own research rather than being supplied by the counsel appearing before it. After examining the authorities that the NCLT relied on based on its own research, the Supreme Court found several serious discrepancies in the material used in the reference for this judgment, which went unnoticed by the NCLAT as well during the appeal. Considering the seriousness of the issue here and the ignorance of both the NCLAT and the NCLT, the court set aside both the orders by the NCLT and the NCLAT and restored the application of Section 7 of the Insolvency and Bankruptcy Code to the NCLT for fresh consideration.

JUDGMENT AND RATIONALE

The Supreme Court examined the six authorities relied upon by the NCLT and found that they could not be treated as genuine legal precedents. The Bench found that two of the citations were correctly identified cases but were attributed with paragraphs that did not exist in the original judgments. Another citation referred to an existing judgment but was given under an incorrect cause title, while the remaining citations were found to be non-existent. The Supreme Court bench therefore found that the material relied upon by the NCLT contained AI-generated and hallucinated material.

The Supreme Court considered this particularly serious because the authorities were relied upon by the NCLT in reaching its decision. The Court also noted that the respondent had filed an affidavit stating that these authorities had not been cited by its counsel before the NCLT and that the material appeared to have been obtained through the NCLT's own research. The fact that the same material had also gone unnoticed by the NCLAT further highlighted the problem.

On this basis, the Supreme Court held that a decision based on fake or hallucinated material cannot be sustained in law. It set aside both the NCLT and NCLAT orders and restored the Section 7 application to its original number before the NCLT for fresh consideration on merits.

The bench's reasoning in this case was not just limited to the correction of a judgment that relied on fabricated materials, but it treated the presence of fabricated legal authorities in the decision-making process as a matter affecting the judicial integrity itself.

The Supreme Court also mentioned the wider use of AI in the judicial system and recognised that AI has the ability to assist legal professionals with both routine and intellectual work and accepted that technological tools can be used to make legal work more efficient. However, it distinguished the use of AI as an aid or as a tool to simply assist from allowing AI-generated material to replace human presence or verification and reasoning. The judgment emphasised that there must be total human control over adjudication, with a human remaining involved at every stage.

The Court's reasoning also adopted a zero-tolerance approach towards producing, citing or relying upon AI-generated precedents without enough verification and stated that such conduct can amount to misconduct for an advocate and a serious lapse when a judge relies on such material. At the same time, the Supreme Court clarified that its decision does not prohibit the legitimate use of AI in judicial proceedings; rather, the concern is with presenting fake or hallucinated material as genuine legal precedent without any verification and affecting the judicial decision. It also directed the Bar Council of India to constitute a committee to consider appropriate guidelines and disciplinary consequences concerning such conduct.

CRITICAL ANALYSIS OF THE JUDGMENT

The integration of Artificial Intelligence into judicial and legal work has the potential to make legal processes more efficient and can be helpful in processing large amounts of legal information. The Indian judiciary also has been facing delayed proceedings and a large backlog of cases. Therefore, there is a need for digital modernisation. Completely rejecting the use of AI in the legal system would mean overlooking the practical benefits that such technology can offer in transforming the legal system for the better.

However, as the use of AI increases, it is also important to recognise that these tools are prone to errors and misuse, including AI hallucinations. AI hallucinations occur when AI generates information that may appear genuine but is actually inaccurate, misleading or fabricated. This can be particularly difficult to identify in legal work because AI can produce information in a style that resembles legal writing and can be very convincing. It can also generate citations and

case references that appear to follow proper legal formats. That's why even a fabricated legal precedent may appear genuine if it is not properly verified.

This AI hallucination is of much greater concern in the legal field because legal systems and judicial decisions rely heavily on precedents and case law. Unverified, distorted or fabricated citations can therefore affect judicial reasoning and decision-making. If a hallucinated citation goes unnoticed and becomes part of judicial reasoning, it may later be treated as a genuine legal precedent and be relied upon in future cases as well, and this cycle may go on and hence create a cycle where an initially fabricated authority is repeated and given further credibility, directly raising concerns about the integrity of judicial decision-making.

Lawyers also remain accountable for the material they rely upon, and the use of unverified AI-generated material may have professional and institutional consequences. While the guidelines provided by the Supreme Court are important for the immediate use of AI in judicial proceedings, broader guidelines may also be required as AI becomes more common in legal practice and other areas. At the same time, the Supreme Court's strict approach raises the question of how a zero-tolerance standard can be practically applied when AI is increasingly being used as an assisting tool in legal research. There is therefore a need for clear verification procedures for AI-generated legal material, especially citations and case law, before they are relied upon in judicial proceedings. Lawyers and judges must remain responsible for the material they use rather than shifting responsibility to the AI too. Proper training regarding the limitations of AI and its tendency to produce hallucinated information can also help reduce these risks. At the same time, broader regulatory guidelines may be required to ensure that AI is used responsibly while human oversight remains central to judicial decision-making.

CONCLUSION

The judgment in *Pooja Ramesh Singh v. Jammu and Kashmir Bank Ltd.* ultimately shows that the integration of AI into judicial decision-making and legal practice should be accompanied by careful verification of facts, judgments and legal precedents. While it can be an incredibly useful tool in the evolution of the legal system, it can also pose risks to judicial integrity by producing convincing but inaccurate or hallucinated legal material.

The bench's approach shows that AI can help process large amounts of legal data, assist with legal research and improve the efficiency of legal work. At the same time, while it can be a useful assisting tool, it cannot completely replace the need for human verification, reasoning

and decision-making. Allowing the use of AI without proper human involvement may affect judicial integrity. Hence, the Court emphasised the need for human involvement at each stage of judicial decision-making and careful verification of AI-generated material.

Going forward, AI should remain a tool that assists certain aspects of judicial decision-making rather than becoming a substitute for the entire judicial process. Ultimately, judicial decisions must continue to rely on careful human reasoning, verification and accountability to ensure that the use of AI contributes to, rather than compromises, reliable and fair adjudication.