IN THE HIGH COURT AT CALCUTTA

CRIMINAL REVISIONAL JURISDICTION
CIRCUIT BENCH AT PORT BLAIR
****

PRESENT: HON'BLE JUSTICE UDAY KUMAR

CRR/56/2026

M.S.THIRUPPATHI ... PETITIONER

VERSUS

THE STATE OF ANDAMAN AND NICOBAR ISLANDS AND ANOTHER ... OPPOSITE PARTY

For the petitioner	: Mr. Manas Ajai Sonkar Mr. Sumit Kumar Sakthi
For the State	: Mr. Sumit Kumar Karmakar
For the Opposite party No.2	: Mr. Sabir Ahmed Mr. Rajdeep Biswas Ms. K. Sneha
Heard on	: 25.11.2026
Judgment on	: 27.11.2026

UDAY KUMAR, J.

1. The petitioner, M.S. Thiruppathi, a partner of M/s Meenakshi Fishing & Trading Company, has approached this Court under Section 482 of the Code of Criminal Procedure, 1973, seeking to quash the entire criminal proceeding in G.R. Case No. 1139 of 2020. This case arises out of Charge Sheet No. 105 of 2021 dated October 31, 2021, registered in

connection with Aberdeen Police Station Case No. 324 of 2020 dated September 11, 2020, under Section 420 of the Indian Penal Code (IPC), and is presently pending before the Learned Chief Judicial Magistrate, Port Blair, where charges are scheduled to be framed on September 24, 2026.

2. The dispute between the parties originates from a commercial business arrangement between the petitioner's partnership firm and Opposite Party No. 2, M/s Shaurya Trade Impex Private Limited. According to the written complaint lodged by Shri Ashok Sharma on behalf of Opposite Party No. 2, the petitioner's firm owed them an outstanding business debt of Rs. 33,29,02,400/-. Toward partial payment of this liability, the petitioner issued multiple cheques totalling Rs. 2,81,67,100/-. When Opposite Party No. 2 presented those cheques to the bank, every single one was returned unpaid with the bank memo stating, "Bank Account Closed." Alleging that the petitioner had deceived the company by issuing cheques drawn on an already closed bank account, Opposite Party No. 2 lodged a complaint on September 11, 2020, resulting in the registration of Aberdeen P.S. Case No. 324 of 2020 under Section 420 IPC.

3. Shortly after the police case was registered, both parties attempted to settle their financial dispute out of court. On October 6, 2020, they executed a formal written Settlement Agreement under which the total claim was compromised and fixed at Rs. 2,20,00,000/- (Rupees Two Crores Twenty Lakhs), payable in instalments. Paragraph 8 of that agreement specifically recorded that upon fulfilment of the agreed financial terms, the criminal proceedings would be withdrawn. Pursuant to the settlement, the petitioner paid Rs. 1,25,00,000/- immediately via RTGS on October 6, 2020, and handed over two post-dated cheques for the remaining Rs. 95,00,000/-one for Rs. 50,00,000/- dated January 6, 2021, and another for Rs. 45,00,000/- dated March 25, 2021.

4. Following this arrangement, Opposite Party No. 2 addressed a written letter to the Station House Officer (SHO) of Aberdeen Police Station on July 27, 2021, stating that the dispute had been settled in full and final satisfaction and requesting necessary steps for closure of the case. Although the investigating police enclosed this communication with the case papers, the investigation continued and culminated in Charge Sheet No. 105 of 2021 on October 31, 2021, under Section 420 IPC. Meanwhile, the settlement broke down on

the ground. When the two post-dated settlement cheques for Rs. 50,00,000/- and Rs. 45,00,000/- were presented to the bank, they were both dishonoured with the exact same remark: "Account Closed." This breakdown led to fresh litigation, including a subsequent FIR (Aberdeen P.S. Case No. 252 of 2023 / G.R. Case No. 918 of 2023) and proceedings under Section 138 of the Negotiable Instruments Act. During the hearing of an application for cancellation of the petitioner's anticipatory bail in the 2023 case, Opposite Party No. 2 filed an affidavit noting that the 2020 dispute had been settled for Rs. 2,20,00,000/-.

5. Mr. Manas Ajai Sonkar, Learned Counsel appearing for the petitioner, submits that the entire controversy is purely civil and commercial in character, arising out of regular business transactions. Relying on the Settlement Agreement dated October 6, 2020, its Paragraph 8 regarding withdrawal of criminal proceedings, and the banking payment receipts annexed to the petition, he contends that the petitioner has already paid sums exceeding Rs. 2,20,00,000/- through banking channels (including Rs. 1.25 Crores via RTGS and further payments totalling Rs. 97.5 Lakhs), thereby fulfilling his financial obligations under the agreement. Mr. Sonkar places particular emphasis on two documents on record, the

complainant's own letter dated July 27, 2021, to the SHO of Aberdeen Police Station confirming full and final settlement; which forms part of the charge sheet papers and the complainant's sworn affidavit in the 2023 anticipatory bail cancellation proceedings acknowledging receipt of Rs. 2,20,00,000/-. It is argued that since Section 420 IPC is compoundable offense under Section 320(2) Cr.P.C. and the underlying financial claim stands satisfied, continuing the trial amounts to an abuse of the process of law.

6. Strongly opposing the petition, Mr. Sumit Kumar Karmakar, Learned Counsel for the State, contends that the investigation established a clear prima facie case of cheating, as issuing cheques worth over Rs. 2.81 Crores from an account that was already closed points directly to a dishonest intention from the inception. Mr. Sabir Biswas and Mr. Rajdeep Biswas, Learned Counsels appearing for Opposite Party No. 2, vigorously dispute the claim that the settlement was honoured. They submit that the petitioner entered into the October 6, 2020 Settlement Agreement merely as a device to ward off immediate police action, paying Rs. 1.25 Crores via RTGS to buy time while issuing post-dated settlement cheques for the remaining Rs. 95 Lakhs from a closed bank account. Once those settlement

cheques bounced with the remark "Account Closed," the core condition of the compromise failed. Relying on the decision of a Coordinate Bench of this Court in *C.R.R. No. 31 of 2023* (decided on June 19, 2024), Counsel for Opposite Party No. 2 argues that an accused who breaches a settlement agreement by dishonouring post-compromise cheques cannot rely on that broken settlement, or on a letter written before the cheques bounced, to seek quashing under Section 482 Cr.P.C.

7. Having heard the learned advocates for all parties and carefully examined the record, two central questions arise for determination by this Court:

First, whether issuing cheques against an already closed bank account; both in the original business transaction and again during a settlement, discloses a prima facie offense of cheating under Section 420 IPC, or merely represents a civil breach of contract.

Second, whether this Court should exercise its inherent powers under Section 482 Cr.P.C. to quash the criminal proceeding based on the settlement agreement, the police closure letter, and the subsequent bail affidavit when the complainant demonstrates that the post-settlement

cheques bounced from a closed bank account and full payment is contested.

8. Addressing the first question, the law draws a clear line between failing to honour a commercial debt and committing the criminal offense of cheating. Under **Section 415** and **Section 420 of the Indian Penal Code, 1860**, cheating requires deception that fraudulently or dishonestly induces another person to deliver property or a valuable security, coupled with a dishonest intention (*mens rea*) existing right at the moment the promise or inducement is made. As the Hon'ble Supreme Court explained in ***Hridaya Ranjan Prasad Verma v. State of Bihar*, (2000) 4 SCC 168** (at Paragraph 15), whether an act amounts to cheating depends on the intention of the accused at the time of inducement, which may be judged by subsequent conduct though subsequent conduct is not the sole test; a mere failure to keep a promise later on is only a breach of contract unless fraudulent or dishonest intention existed from the beginning. Furthermore, under ***State of Haryana v. Bhajan Lal*, 1992 Supp (1) SCC 335** (at Paragraphs 102 and 103), a High Court exercising inherent jurisdiction under **Section 482 of the Code of Criminal Procedure, 1973** will quash a prosecution at the threshold only where the uncontroverted

allegations, taken at face value, do not prima facie disclose any offense, without embarking upon a premature inquiry into the reliability or genuineness of disputed allegations.

9. Applying this settled legal standard to the facts on record, the petitioner initially handed over cheques worth Rs. 2,81,67,100/- toward the alleged business liability of Rs. 33,29,02,400/-, and every single cheque was returned unpaid with the remark "Bank Account Closed." Unlike an ordinary trader who enters into a contract in good faith and subsequently defaults due to financial hardship, a person who issues cheques drawn on a bank account that has already been closed invites a strong initial inference that he never intended the instruments to be honoured from the very moment they were delivered. What happened after the Settlement Agreement of October 6, 2020, reinforces that inference, while the petitioner paid Rs. 1,25,00,000/- by RTGS, he issued post-dated cheques for the remaining Rs. 95,00,000/-, and those settlement cheques also bounced for the exact same reason "Account Closed." Repeating this conduct of issuing cheques from a closed account even while purporting to resolve a pending criminal complaint prima facie points toward a dishonest intention at the time of inducement, taking the case outside the protective scope of

Hridaya Ranjan Prasad Verma and *Bhajan Lal* and raising a triable issue for the trial court.

10. Turning to the second question, the law governing quashing on the strength of a compromise read alongside **Section 320(2) Cr.P.C.** (which makes an offense under Section 420 IPC compoundable by the person cheated with the permission of the court) and **Section 482 Cr.P.C.** (which preserves inherent powers to prevent abuse of court process or secure the ends of justice)rests on the existence of a genuine, complete, and subsisting settlement. In ***Gian Singh v. State of Punjab*, (2012) 10 SCC 303** (at Paragraphs 57 and 61), a Three-Judge Bench of the Hon'ble Supreme Court held that while the inherent power to quash under Section 482 is distinct from statutory compounding under Section 320, criminal cases having an overwhelmingly civil or commercial flavour may be quashed where the offender and the victim have resolved their **entire dispute** amicably so that the possibility of conviction is remote and continuation of the trial would be oppressive. Similarly, in ***State of Madhya Pradesh v. Laxmi Narayan*, (2019) 5 SCC 688** (at Paragraph 15), a Three-Judge Bench reiterated that even in commercial or financial disputes, quashing depends on whether the dispute has truly been resolved in full, having

regard to the stage of the case and the conduct of the accused.

11. In the present case, the petitioner relies on Paragraph 8 of the October 6, 2020 Settlement Agreement, banking payment receipts claimed to exceed Rs. 2,20,00,000/-, the complainant's July 27, 2021 letter to the SHO of Aberdeen Police Station enclosed with the charge sheet, and the complainant's affidavit in the 2023 anticipatory bail cancellation proceedings. However, Opposite Party No. 2 vigorously opposes quashing and demonstrates that the two post-dated settlement cheques for Rs. 50,00,000/- and Rs. 45,00,000/- bounced with the remark "Account Closed," disputing that the payment receipts cited by the petitioner satisfied the settlement obligations. As squarely held by a Coordinate Bench of this Court in ***C.R.R. No. 31 of 2023*** **(decided on June 19, 2024)**, Section 482 Cr.P.C. is an equitable remedy meant to prevent abuse of process and cannot be used as a shield by an accused who defaults on post-settlement cheques, nor can a High Court conduct a mini-trial to reconcile competing payment records when full satisfaction of the compromise is seriously contested. Any closure letter sent by Opposite Party No. 2 to the police in July 2021, or any statement made in a collateral bail

application, was naturally predicated on the expectation that the settlement terms and post-dated cheques would be honored in full. Once those settlement cheques bounced from a closed account, the compromise could not be enforced under Section 482 Cr.P.C. to terminate the criminal prosecution against the complainant's objection.

12. At the same time, because the underlying dispute arose out of commercial dealings and the offense under Section 420 IPC is compoundable under **Section 320 (2) Cr.P.C.** with the permission of the trial court, the petitioner is not without remedy. If the petitioner possesses unimpeachable banking records establishing that the full Rs. 2,20,00,000/- was paid and accepted in satisfaction of the settlement, or if he clears any remaining shortfall so that Opposite Party No. 2 consents to compromise, the trial court is fully empowered to examine those documents at the stage of framing charges or entertain a joint compounding application under Section 320(2) Cr.P.C.

13. In view of the foregoing discussion, the settled principles in *Hridaya Ranjan Prasad Verma*, *Bhajan Lal*, *Gian Singh*, and *Laxmi Narayan*, and the binding precedent of this Court in *C.R.R. No. 31 of 2023*, this Court concludes that:

i. The repeated issuance of cheques drawn on an already closed bank account establishes a prima facie case of cheating under Section 420 IPC that requires determination through a regular trial.

ii. Where the post-settlement cheques issued under a compromise agreement are dishonoured from a closed bank account and full satisfaction of the settlement is disputed, the High Court cannot conduct a mini-trial over competing payment receipts or quash G.R. Case No. 1139 of 2020 under Section 482 Cr.P.C. against the objection of the complainant.

14. Accordingly, the prayer to quash the criminal proceedings in G.R. Case No. 1139 of 2020 (arising out of Charge Sheet No. 105 of 2021 dated October 31, 2021, in Aberdeen P.S. Case No. 324 of 2020) is **REFUSED**.

15. The instant C.R.R No. 56 of 2026 is **dismissed**. All connected application, if any, stands **Disposed of**.

16. There is no order as to costs, and any interim order passed earlier stands vacated. All parties shall act on a server copy or an official certified copy of this judgment.

17. Urgent Photostat certified copy of this judgement, if applied for, be given to the parties on payment of requisite fees.

(UDAY KUMAR, J.)