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N. S. GUJRAL

v.

## CUSTODIAN OF EVACUEE PROPERTY &amp; ANR.

September 12, 1967

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[K. N. WANCHOO, C.J., R. S. BACHAWAT, V. RAMASWAMI,  
G. K. MITTER AND K. S. HEGDE, JJ.]

*Displaced Persons (Compensation and Rehabilitation) Act (44 of 1954), s. 12 and Administration of Evacuee Property Act (31 of 1950), ss. 10(1) and 10(2) (m) and (n)—If violative of Arts. 14 and 19(1)(f) of the Constitution of India—Law impairing obligation under contract—If ultra vires Constitution.*

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The appellant obtained a decree against two persons who, along with their wives, migrated to Pakistan. Before the decree was passed, the two judgment debtors had executed two deeds releasing their property, which was a building in favour of the wives. The property was declared evacuee property under the Administration of Evacuee Property Act, 1950 and on the appellant's application, his claim based on the decree was registered by the Custodian. Later, the Custodian held that the evacuee property belonged to the wives of the judgment-debtors. The appellant

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filed a suit for setting aside the release deeds on the ground that they were of no effect as being in fraud of the creditors. But, before the suit was filed, the Central Government, in pursuance of a notification issued under s. 12 of the Displaced Persons (Compensation and Rehabilitation) Act, 1954, acquired the property. As a result of the notification, the property which was in law the property of the evacuees—though it was under the administration of

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and vested in, the Custodian under the 1950 Act—became the property of the Central Government free from all encumbrances. So, in addition to the main plea in the suit the appellant also contended that s. 12 of the 1954 Act and the notification issued thereunder violated Arts. 19(1)(f) and 14 of the Constitution. He further contended that the amendment by Act 91 of 1956 of s. 10(2)(m) of the 1950 Act, as a result of which the Custodian's power to pay the evacuee's debts was deleted from the clause, was *ultra vires*. On an application under Art. 228, the High Court tried the two constitutional issues and decided them against the appellant and remanded the suit to the trial court.

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In appeal to this Court,

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**HELD:** (1)(a) Section 12 of 1954 Act did not interfere with the appellant's right to acquire, hold and dispose of his property, namely, the decree against the evacuees. At no time did the appellant have any right whatsoever in the property which vested in the Central Government on the issue of the notification. Its only effect was that the appellant could not proceed against the property in execution of his decree. Therefore the appellant could not claim the protection under Art. 19(1)(f). [501A: 502A-D]

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(b) It could not be said that there was violation of Art. 14 on the ground that decree-holders against non-evacuee property could execute their decrees while decree-holders against evacuee property could not. There is a reasonable classification between evacuee property and non-evacuee property, and there is a clear nexus between the object to be achieved by the 1954 Act, namely, rehabilitation of evacuees from Pakistan, and the provision in s. 12, by which

the property of evacuees in India is to be utilized for such rehabilitation. [502E-G] **A**

(c) The appellant cannot also be heard to say that s. 12 impairs the obligation of the judgment-debtors under contract between them and himself because, there is no prohibition against such a law in the Indian Constitution. [501F]

(2) The amendment of s. 10(2)(m) made no difference to the legal position, for the power of the Custodian to pay the debts of the evacuee still remained unimpaired under s. 10(2)(n) read with s. 10(1). Therefore, it was unnecessary to consider the invalidity of the amendment of s. 10(2)(m). [500F-H] **B**

*Raja Bhanupratap Singh v. Assistant Custodian of Evacuee Property, U.P.* [1966] 1 S.C.R. 304, followed.

(3) Though the appellant could not claim to proceed against the property in suit or its income, after the date on which it became vested in the Central Government by virtue of the notification under s. 12, he could ask the Custodian to pay him out of the moneys lying with him on the date of such vesting if he can satisfy him in the manner provided in s. 10(2)(n) read with s. 10(1) of the 1950 Act. The trial court would therefore have to decide the issue whether the release-deeds were fictitious and fraudulent, and, if it found in favour of the appellant it would then be open to him to approach the Custodian for such orders as the Custodian thinks fit to pass with respect to the moneys, if any, lying with him on the date of vesting. [503F-H] **C**

**CIVIL APPELLATE JURISDICTION: Civil Appeal No. 642 of 1966.**

Appeal by special leave from the judgment and order dated October 21, 1962 of the Punjab High Court (Circuit Bench) at Delhi in Civil Original No. 11-D of 1960 read with judgment and order dated October 26, 1964 of the said High Court in R.S.A. No. 245-D of 1964. **E**

*N. S. Bindra* and *D. D. Sharma*, for the appellant.

*G. R. Rajagopal*, *S. P. Nayyar* for *R. H. Dhebar*, for the respondents. **F**

The Judgment of the Court was delivered by

**Wanchoo, C. J.** The appellant obtained a decree for over Rs. 41,000 against Modern Electric Iron and Brass Works, Delhi, which was the property of two partners, namely, Mohd. Sabar and Noor Mohd. Butt, in January 1950. He also obtained another decree for over Rs. 95,000 against the same two persons and one more to which proceeding the Custodian of Evacuee Property (hereinafter referred to as the Custodian) had also been made a party. Before, however, the first decree was obtained by the appellant, Mohd. Sabar and Noor Mohd. Butt had in April 1947 executed two deeds of release with respect to their property in favour of their wives. Later Mohd. Sabar and Noor Mohd. Butt and their wives migrated to Pakistan and their properties were declared evacuee properties under the Administration of Evacuee Property Act, No. 31 of 1950, (hereinafter referred to as the **G**

- A** 1950-Act). Under s. 10 of the 1950-Act the Custodian had the power to pay any debt due from the evacuee to any person subject to rules framed thereunder. Further under the Rules a person to whom an evacuee owed money could apply for registration of his claim and the Custodian could register such claim; but mere registration of a claim did not entitle the claimant to payment, and the Custodian could refuse payment for reasons to be recorded.

- The claim of the appellant, based on the first decree passed in his favour, was registered by the Custodian. But in June 1950 the Custodian held that the evacuee property in question in the present case belonged to the wives of the judgment-debtors (namely, Mohd. Sabar and Noor Mohd. Butt). He further directed the appellant to go to the civil court to get the release-deeds set aside. On November 28, 1955, the appellant filed the suit out of which the present appeal has arisen in the court of the subordinate Judge First Class, Delhi, claiming that the release-deeds in question were of no effect as being in fraud of the creditors. He claimed a declaration that the building in suit belonged to Mohd. Sabar and Noor Mohd. Butt and not to their wives and that the release-deeds of April 1947 were fictitious and fraudulent and intended to defeat and delay the creditors and were not binding on the appellant. He also claimed that the Custodian was bound to open the account of the income of the said building in the names of Mohd. Sabar and Noor Mohd. Butt and the proceeds of the said building were bound to be adjusted against the claims of the appellant.

- The suit was resisted by the Custodian and the Union of India. Their case firstly was that the civil court had no jurisdiction to entertain the suit. Secondly, it was pleaded that the property in dispute which was a building in the city of Delhi had been acquired by the Central Government in pursuance of a notification issued on June 3, 1955, under s. 12 of the Displaced Persons (Compensation and Rehabilitation) Act, No. 44 of 1954, (hereinafter referred to as the 1954-Act) and therefore the appellant could not get a declaration to the effect that the proceeds of the suit building should be adjusted against his claim. The appellant had also pleaded in his plaint that the acquisition of the building by the notification of June 3, 1955 was subject to his rights and that in any case the notification and s. 12 of the 1954-Act were *ultra vires*.

- Originally, the trial court dismissed the suit holding that as the property in suit had been acquired by the Central Government by the notification dated June 3, 1955, the appellant could not claim to proceed against the property or its income. The appellant went in appeal and the appellate court remanded the suit on the ground that the appellant's plea that the notification

and s. 12 of the 1954-Act were *ultra vires* had not been decided. A  
 When the suit went back for re-trial on this issue, the appellant  
 applied for transfer under Art. 228 of the Constitution to the High  
 Court praying that the constitutional issue be first determined  
 by the High Court. This application was allowed and finally the  
 constitutional question relating to the validity of s. 12 of the 1954-  
 Act was considered by a Division Bench of the High Court. It B  
 may be mentioned here that it had been decided by the Subordi-  
 nate Judge that the civil court had jurisdiction and that matter is  
 not in dispute before us. When the matter came to the High  
 Court, the appellant further challenged the amendment made to  
 the 1950-Act by which cl. (m) of s. 10(2) was amended as *ultra*  
*vires*. Reliance in this connection was placed on Art. 19 of the C  
 Constitution and also on Art. 14. The High Court held against  
 the appellant on both points and sent the case back to the trial  
 court for further consideration in the light of its judgment on the  
 constitutional issues that were raised. The appellant then applied  
 to the High Court for grant of a certificate to appeal to this Court,  
 which was refused. Thereupon the appellant applied for and ob-  
 tained special leave from this Court; and that is how the matter D  
 has come up before us.

The same two points which were urged before the High Court  
 have been raised before us on behalf of the appellant. So far as  
 the first point relating to the invalidity of the amendment to  
 s. 10(2)(m) is concerned, the matter is now of academic interest in E  
 view of the decision of this Court in *Raja Bhanupratap Singh v.*  
*Assistant Custodian Evacuee Property U.P.*(<sup>1</sup>). It was held by  
 the Court that "the power to pay the evacuee's debts was derived  
 both under cls. (m) and (n) of s. 10(2). Therefore the deletion from  
 cl. (m) of the Custodian's power to pay the debts, by the Amending  
 Act of 1956, and the consequential deletion of r. 22 of the Rules F  
 framed under the Act, by which a machinery was provided for  
 exercising that power did not affect the power which is conferred  
 by s. 10(2) (n) and by s. 10(1). The power to administer, under  
 s. 10(1) is not merely a power to manage on behalf of the evacuee  
 so as to authorise the Custodian only to recover and collect the  
 assets of the evacuee; it includes power to discharge his obliga- G  
 tions as well, to pay such debts which, in the opinion of the Cust-  
 odian, are binding upon the evacuee". This Court further held  
 that the decree of the civil court was not decisive of the question  
 whether a person making a claim was entitled to the money  
 claimed by him; it was for the Custodian to determine whether  
 he was so entitled. In view of this decision it is unnecessary to  
 express any opinion as to the invalidity of the amendment of cl. H  
 (m) of s. 10(2) for the amendment made no difference to the legal

(<sup>1</sup>) [1966] 1 S.C.R. 304.

A position as the power of the Custodian to pay the debts of the evacuee still remained unimpaired. If he was of opinion that the debts were genuine, he could pay them.

This brings us to the main question that has been argued in the present appeal, namely, that s. 12 of the 1954-Act is invalid because it is an infringement of the right to hold property which the appellant has under Art. 19(1)(f) of the Constitution and is not saved as a reasonable restriction thereon. The argument is put thus. The appellant had advanced money to the two evacuees, namely, Mohd. Sabar and Noor Mohd. Butt. On the basis of the loan, he had obtained a decree in January 1950. He had the power to execute that decree against the property of his judgment-debtors. By taking away the property of the judgment-debtors, after they had become evacuees and by vesting that property free from all encumbrances in the Central Government under s. 12 of the 1954-Act, the appellant's right to proceed against that property had disappeared. Therefore, s. 12 of the 1954-Act was violative of Art. 19(1)(f), as the appellant's holding of the decree had been rendered illusory. Reliance in this connection is placed on four decisions of the Supreme Court of the United States of America, namely, (i) *Kon Hoffman v. The City of Quincy*(<sup>1</sup>), (ii) *Ranger v. City of New Orleans*(<sup>2</sup>) (iii) *Peirce Coombes v. Milton E. Getz*(<sup>3</sup>) and (iv) *W. B. Worthen Co. v. Mrs. W. D. Thomas*(<sup>4</sup>)

Before we consider the argument raised before us we may say at once that the four cases on which reliance has been placed on behalf of the appellant are entirely beside the point and of no assistance. These cases were based on a provision in Art. 1, s. 10 of the American Constitution which *inter alia* lays down that "no State shall ..... pass any law impairing the obligation of contracts .....". There is no such provision in our Constitution and therefore the appellant cannot be heard to say that as s. 12 of the 1954-Act impairs the obligation of the contract between him and the two evacuees, the section is bad.

Now let us turn to the argument based on Art. 19 (1)(f). It is clear to us that the argument as put forward on behalf of the appellant is fallacious and untenable. Section 12 of the 1954-Act does not in any manner affect the decree held by the appellant against Mohd. Sabar and Noor Mohd. Butt. All that it provides is that the property, which upto the time the Act of 1954 was passed, was in law the property of the evacuees, though it was under the administration of the Custodian and vested in him for that purpose under the 1950-Act, would on a notification issued under s. 12 of the 1954-Act become the property of the Central

(<sup>1</sup>) 18 L.Ed. Wallace 403.

(<sup>2</sup>) 26 U.S., S.C.R. 132.

(<sup>3</sup>) 76 L.Ed. 866.

(<sup>4</sup>) 78 L.Ed. 1344.

Government and the right, title, interest of the evacuee in such property would thereupon be extinguished and the property shall vest absolutely in the Central Government free from all encumbrances. At no time did the appellant have any right whatsoever in the property which vested in the Central Government on the issue of the notification under s. 12. It may be that if the owners had not become evacuees and if the property had not been declared evacuee property, the appellant might have proceeded against that property in execution of his decree. It may also be that he cannot do so now after the said notification under s. 12. But s. 12 does not in our opinion interfere with the appellant's right to acquire, hold and dispose of his property, namely the decrees against Mohd. Sabar and Noor Mohd. Butt. As the appellant had no interest in the property in suit, the fact that it was acquired by the Central Government by a notification under s. 12 of the 1954-Act did not in any way affect the appellant's right to acquire, hold and dispose of his property. In the circumstances, the appellant cannot claim protection under Art. 19(1)(f) at all with respect to the property in suit and it is not necessary to consider whether s. 12 could be saved under Art. 19(5). We therefore agree with the High Court that the appellant cannot claim that s. 12 is *ultra vires* Art. 19(1)(f) and therefore the notification made thereunder affects his fundamental right to acquire, hold and dispose of property.

Further the argument that s. 12 is bad under Art. 14 has also no force. The contention under this head is that the creditors who have decrees against non-evacuees can execute their decrees against the properties of non-evacuees, but the creditors having decrees against evacuees cannot execute them against their properties after they had vested in the Central Government by a notification under s. 12 of the 1954-Act; and this amounts to discrimination under Art. 14. But it is well-settled that the Constitution does not contemplate equality of all laws or application of all laws equally to every person. There is a clear classification between evacuee property and non-evacuee property. There is a clear nexus between the object to be achieved by the enactment of the 1954-Act, namely, rehabilitation of evacuees from Pakistan and the provision in s. 12 by which the property of evacuees in India is to be utilised for such rehabilitation. There is therefore no infringement of Art. 14 in the circumstances.

Lastly it is urged on behalf of the appellant on the basis of the decision of this Court in *Raja Bhanu Pratap Singh*<sup>(1)</sup> that the appellant was entitled to ask the Custodian to consider his case under s. 10(2) (n) read with s. 10(1) of the 1950-Act, and for that purpose it is necessary to decide the main question raised in the suit, namely, that the release-deeds of 1947 in favour of the wives

(1) [1966] 1 S.C.R. 304.

- A** were of no effect and therefore the property, though evacuee property, was the property of the judgment-debtors of the appellant, namely, Mohd. Sabar and Noor Mohd. Butt. It is also pointed out that the notification of June 3, 1955 was only with respect to immovable property and there was nothing to show that the Central Government had issued a notification under s. 14(1)(b) of the
- B** 1954-Act relating to cash balance, if any, lying with the Custodian on the date the property was acquired. It is urged that all that the notification of June 3, 1955 means is that as from that date no action could be taken against the property in suit or its income. But if there was any money with the Custodian on the date of vesting and if no order had been passed in respect thereof under
- C** s. 14(1)(b), the appellant would be entitled to ask the Custodian to consider whether he should be paid anything out of the moneys lying with the Custodian provided he could establish that the property was the property of his judgment-debtors, namely, Mohd. Sabar and Noor Mohd. Butt and not of their wives. The declaration that the appellant sought was wide in terms in as much as he claimed that he was entitled to have his claim adjusted against
- D** the proceeds of the said building and these proceeds will include any income of a period before the date of vesting under the notification under s. 12. It is urged that as such it is necessary to decide the issue whether the release deeds of April 1947 were fictitious and fraudulent intended to defeat and delay the creditors and therefore the property belonged to Mohd. Sabar and Noor
- E** Mohd. Butt. If that is held in his favour by the civil courts he would be entitled to go to the Custodian and ask him to pass an order in his favour under s. 10(2)(n) read with s. 10(1) and pay him out of the moneys lying with him on the date the property vested in the Central Government under the notification under s. 12.

**F**

We are of opinion that there is force in this contention. Though the appellant cannot claim to proceed against the property in suit or its income after the date on which it vested in the Central Government by virtue of the notification under s. 12, he can ask the Custodian to pay him out of the moneys lying with him on the date of such vesting if he can satisfy him in the manner

**G** provided in s. 10(2)(n) read with s. 10(1) of the 1950-Act. We therefore direct that when the case goes back to the trial court as ordered by the High Court, the trial court will decide the issue whether the deeds of release of April, 1947 are fictitious and fraudulent intended to defeat and delay the creditors and not binding on the appellant. If the trial court decides in favour of

**H** the appellant it will then be open to him to approach the Custodian under s. 10(2)(n) read with s. 10(1) for such orders as the Custodian thinks fit to pass with respect to moneys, if any, lying with him on the date of vesting. It may be mentioned that learned counsel for the appellant submitted that this property in fact

vested in the Central Government by some notification in 1958 **A**  
and not by the notification dated June 3, 1955, as mentioned in  
the plaint. On the other side it has been submitted that some  
orders have been passed by the Central Government under s. 14  
(1)(b). These are matters which may require to be gone into by  
the trial court and for that purpose it may be necessary to amend  
the plaint and the written statement, and this we permit. **B**

We therefore dismiss the appeal subject to the observations  
made above. In the circumstances we order parties to bear their  
own costs of this Court as also of the High Court. Costs of other  
courts will abide the final result.

V.P.S.

*Appeal dismissed.*