

A NARAYANARU THRIVIKRANARU
v.
V. MADHAVAN POTTY AND ORS.

FEBRUARY 10, 2000

B [K.T. THOMAS, D.P. WADHWA AND
S.S. MOHAMMAD QUADRI, JJ.]

C *Kerala Land Reforms Act—Section 12—Right to prove real nature of transaction—Execution of a document styling it as ‘Otti and Kazhikanam’ in favour of respondent—Properties were already outstanding on lease with respondent—Suit for redemption—Respondent’s claim that he continued to be lessee of the property notwithstanding execution of document—Whether maintainable—Held, no finding recorded by all the courts that the document was a mortgage cannot be interfered with.*

D Suit properties were on lease with the first respondent. In 1943, a document title as ‘Otti and Kuzhikanam’ was executed in favour of the respondent in respect of the same properties. The appellant filed a suit for redemption of mortgage. First respondent alleged that he continued to be a lessee of the property notwithstanding the execution of the document as
E it was not meant to terminate the earlier lease arrangement. The trial Court passed a decree for redemption of the mortgage, holding that the first respondent was in possession of the land as mortgagee and not as lessee. The decree for redemption was upheld in subsequent appeals. The appellant filed execution proceedings after depositing the entire amount
F due. After the enactment of the Kerala Land Reforms Act, which conferred fixity of tenure of the agricultural land, 1st respondent claimed himself as a tenant of the land, hence entitled to the protection envisaged in the Act. Dismissing respondent’s claim, the execution court directed delivery of the suit property to be given to the appellant. However, in revision, the High
G Court set aside the order of the execution court, holding that the earlier lease in favour of the first respondent did not come to an end despite execution of the document title as ‘Otti and Kuzhikanam’. This appeal has been filed against the order passed by the Single Judge.

H First respondent contended that Section 12(i) of the Act enabled the parties to reagitate such issues as to whether on the execution of that

document, the earlier lease survived the transaction covered by the said document, notwithstanding any findings made in the judgment. The question raised for consideration was whether first respondent succeeded in establishing that the transaction covered by the document was really a lease or that first respondent was a tenant of the suit properties.

Allowing the appeal, this Court

HELD 1.1. It was not open to the High Court to consider at this stage, whether the document did not come into force or whether the earlier lease survived the transaction covered by the said document. Those were the points hotly disputed during trial stage of the same litigation and definite findings have been made thereon by the trial court. Those findings were against the first respondent which were confirmed in appeal and they have become final. [757-B-C]

1.2. Section 12 of the Kerala Land Reforms Act, enables any person interested in the land to prove that a transaction purporting to be a mortgage is, in substance, a transaction by way of lease. The non-obstante limb of the Section insulates a transaction which purports to be a mortgage, from any other law or judgment or decree. What is saved thereby is "the transaction purporting to be a mortgage." But that saving clause is not a *carte blanche* for ignoring the transaction altogether. Section 12 of the Act does not permit the court to supersede the findings made by the Court to the effect that the earlier lease came to an end with the execution of the transaction which purports to be a mortgage. In other words, what section 12 entitles a person is to prove the real substance of the transaction covered by the document, albeit the ostensible tenor of the document. Hence the findings of the High Court in the impugned order cannot be salvaged with the aid of Section 12 of the Act. [757-F-H]

1.3. There are two types of "Ottikuzhikanam". One type would be a mortgage within the meaning of Transfer of Property Act. The said type of "Ottikuzhikanam" is specifically excluded from the ambit of the definition. It is the other category of non-mortgage "Ottikuzhikanam" alone has been brought within the purview of the definition of the term 'Ottikuzhikanam'. So, even if the nomenclature of the transaction is "Ottikuzhikanam" it should not be a mortgage, if the transaction is to fall within the purview of the definition. [758-E-F]

A 1.4. The findings entered by all the courts during the trial stage in this case was that the document was a mortgage. Such a finding was binding on the parties to this lis as a normal rule, but Section 12 of the Act enable the first respondent to prove that the document in substance, was not a mortgage even in spite of such finding. However, first respondent had only endeavoured to show that the earlier lease survived the document and not that the document was not a mortgage. [758-G]

B 1.5. The actual mortgage amount reserved in the document was Rs. 850 out of which the mortgagor had acknowledged receipt of Rs. 750 which was payable by him to the mortgagee by the way of value of improvements. C The said amount of Rs. 850 could not be described as negligible by any standard during the year 1943 in respect of an agricultural land comprising of 1.78 acres situated in a rural area.

D The recital in the document including its nomenclature, and the amount or mortgage debt are poignantly in favour of holding the transaction to be a mortgage and not a lessee. [759-D-E; G]

CIVIL APPELLATE JURISDICTION : Civil Appeal No. 5392 of 1997.

E From the Judgment and Order dated 12.1.96 of the Kerala High Court in C.R.P. No. 2480 of 1995-M.

R. Sundarvaradan, C. Sitaramaiah, C.S. Vaidyanathan, K.R. Nambiar, Shivam, B.K. Yadav, K.V. Mohan and K.N.Tripathy for the Appellant.

F P. Krishnamurthi, P.S. Poti, Ms. Malini Poduval, Ramesh Babu and Ms. Lan Singh Rongmir for the Respondent No. 1.

K. Sukumaran, Ms. Karthika S., Ms. Baby Krishnan for the Respondent Nos. 3-4.

G The Judgment of the Court was delivered by

H THOMAS, J. Appellant won the cause at all the tiers in the judicial hierarchy during trial stage but the fruits of the decree which he earned thereby are still eluding him. The decree is practically rendered *nonest* during execution stage as the High Court upheld the contentions of the contesting respondents in disregard of the contrary findings made during

trial stage. The order so passed by a learned single judge of the High Court of Kerala is now being challenged in this appeal by special leave. A

Facts, spread over to a wide range of period covering more than half a century by now, can be stated as follows : In 1943 a document (Ex. P1) was executed styling it as "Otti and Kuzhikanam" in favour of the first respondent in respect of the suit properties. In fact those properties were outstanding on lease with the respondent before the execution of Ex. P1. A suit for redemption of mortgage was filed by the appellant, claiming to be entitled to redeem the mortgage, on the premises that Ex. P1 was a usufructuary mortgage. First respondent, after admitting the execution of Ex.P1, contended that it was not meant to terminate the earlier lease arrangement and hence he continued to be a lessee of the property notwithstanding the execution of Ex.P1. The trial court found that first respondent was in possession of the land as mortgagee and not as lessee. On the strength of such a finding the trial court passed a decree for redemption of the mortgage on condition that the mortgage amount and value of the improvements effected by the first respondent on the property should be paid to him. B
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First respondent filed a regular appeal against the said judgment before the sub-Court and that court upheld the decree passed by the trial court. He then filed a second appeal before the High Court of Kerala. As per the judgment dated 12.1.1967 the High Court dismissed the second appeal. Thus, the decree for redemption of the mortgage became final. E

It was in the second round of the litigation, when appellant moved for execution of the decree after depositing the entire amount due thereunder that he had to face harder hurdles. The Kerala Land Reforms Act (for short the Act) came into force in the meanwhile which conferred fixity of tenure on tenants of agricultural lands. First respondent raised a contention, in the execution court, that he is a tenant on the land and is hence entitled to the protection envisaged in the Act. The execution court referred the said question to the Land Tribunal as provided in Section 125(3) of the Act for a decision on the aforesaid claim of the first respondent. The Land Tribunal answered the reference against the first respondent and forwarded the records of the case back to the execution court. On the strength of the finding so recorded by the Land Tribunal the F
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A execution court directed delivery of the suit property to be given to the appellants as per its order dated 30.11.1995.

B First respondent filed a revision before the High Court challenging the said order of the executing court. The revision was allowed by the High Court as per order dated 12.1.1996 rendered by a learned single judge who set aside the order of the execution court, which is being challenged now.

C We heard the arguments of Mr. C.S. Vaidyanathan, Senior Advocate for the appellants and Mr. P. Krishnamurthy, Senior Advocate for the first respondent. Another written submission has been put in by the advocate on behalf of respondent Nos. 3 and 4, though they did not contest the case at any earlier stage. All of them were duly considered by us.

D Learned single judge, in the impugned order, held that the earlier lease (which existed prior to Ex. P1) in favour of the first respondent did not come to an end despite execution of Ex.P1. The following are the main reasons adopted by the learned single judge :

E "There is nothing on record to show that they had agreed to surrender tenancy right on the execution of the mortgage deed. Lease was a valuable right. In the case of mortgage, mortgagor was having the right to redeem the mortgage. There is nothing on record to show that the lessees in the instant case were conscious of the possibility of redemption of the mortgage by the mortgagor when they executed Ottikuzhikanam deed in 1943. So also, there is no clear statement in the Ottikuzhikanam deed of 1943 that parties wanted to terminate their earlier relationship of landlord and tenant. The fact that parties were aware that for the termination of leasehold right a document to that effect has to be executed is evident by the execution of document No. 1159 of 1943 when they wanted to terminate leasehold interest in respect of 53 cents of properties comprised in Sy. No. 43. In such a situation, if they had intended to terminate leasehold interest in respect of the decree schedule properties, there should have been a release deed of leasehold interest or should have made necessary statements in the Ottikuzhikanam deed expressing their clear intention to give an end to the lease arrangement. In the absence of such clear

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statements in the Ottikuzhikanam deed, I find it difficult to hold that the leasehold interest was terminated by the execution of document No. 1158 of 1943." A

It was not open to the High Court to consider at this stage, whether Ex.P1 did not come into force or whether the earlier lease survived the transaction covered by the said document. Those were the points hotly disputed during trial stage of the same litigation and definite findings have been made thereon by the trial court. Those findings were against the first respondent which were confirmed in appeal and they have become final. However, learned counsel for the first respondent contended that Section 12(1) of the Act enabled the parties to re-agitate such issues notwithstanding any finding made in the judgment. We will, therefore examine the said provision. Section 12(1) of the Act reads thus: B C

"12. Right to prove real nature of transaction. - (1) Notwithstanding anything in the Indian Evidence Act, 1872, or in any other law for the time being in force, or in any judgment, decree or order of court, any person interested in any land may prove that a transaction purporting to be a mortgage, otti karipanayam, panayam, nerpanayam or licence of that land is in substance a transaction by way of kanam, kanam-kuzhikanam, Kuzhikanam, verumpattam or other lease, under which the transferee is entitled to fixity of tenure in accordance with the provisions of section 13 and to the other rights of a tenant under this Act." D E

It enables any person interested in the land to prove that a transaction purporting to be a mortgage is, in substance, a transaction by way of lease. The non-obstante limb of the Section insulates a transaction which purports to be a mortgage, from any other law or judgment or decree. What is saved thereby is "the transaction purporting to be a mortgage." But that saving clause is not a carte blanche for ignoring the transaction altogether. Section 12 of the Act does not permit the court to supersede the findings made by the Court to the effect that the earlier lease came to an end with the execution of the transaction which purports to be a mortgage. In other words, what section 12 entitles a person is to prove the real substance of the transaction covered by Ex.P1., albeit the ostensible tenor of the document. Hence the finding of the High Court Court in the impugned order cannot be salvaged with the aid of Section 12 of the Act. F G H

A Learned counsel for the first respondent then contended that even apart from the reasoning made in the impugned order first respondent can establish that Ex.P1 is really a lease. On the language of Section 12 of the Act it is possible to concede such a right to the first respondent, but the question is whether first respondent succeeded in establishing that the transaction covered by Ex.P1 is really a lease or that first respondent is a tenant of the suit properties.

B A "tenant" is defined in Section 2(57) of the Act as including an "Ottikuzhikanamdar". This item was inserted in the inclusive definition of "tenant" as per Act 35 of 1969. It means that a person holding land under Ottikuzhikanam arrangement would be a tenant. Now it is necessary to know what is meant by "Ottikuzhikanam." That expression is defined in Section 2 (39A) as under :

C "39A. Ottikuzhikanam means a transfer for consideration by a person to another of any land other than nilam for the enjoyment of that land and for the purpose of making improvements thereon, but shall not include a mortgage within the meaning of the Transfer of Property Act, 1882."

D The above definition recognises that there are two types of "Ottikuzhikanam." One type would be mortgage within the meaning of Transfer of Property Act. It is clear that the said type of "Ottikuzhikanam" is specifically excluded from the ambit of the definition. It is the other category of non-mortgage "Ottikuzhikanam" alone has been brought within the purview of the definition. So, even if the nomenclature of the transaction is "Ottikuzhikanam" it should not be a mortgage, if the transaction is to fall within the purview of the definition.

E In this context it is pertinent to remind that the finding entered by all the courts during the trial stage in this case is that Ex.P1 is a mortgage. Such a finding is binding on the parties to this lis as a normal rule, but Section 12 of the Act enabled the first respondent to prove that Ex.P1, in substance, is not a mortgage even in spite of such a finding. However, first respondent has only endeavoured to show that the earlier lease survived Ex.P1 and not that Ex.P1 is not a mortgage.

F One question is to be answered, if the parties wanted the earlier relationship to continue; why should they have changed from lease to "Otti

and Kuzhikanam" in 1943 by the execution of Ex.P1? We did not get any satisfactory answer to the said question. In this context we cannot forget the fact that during the said period of 1943 a lease of land, whether it was agricultural land or otherwise, had no special protection either legislative or otherwise. A usufructuary mortgage was during then comparatively more durable than a lease since a mortgagee could continue in possession until the mortgage debt was paid of. A lessee, during those period was vulnerable to eviction by the landlord at any time. A tenancy right acquired superior position vis-a-vis the usufructuary mortgage only many years later. Thus usufructuary mortgagee was in a better position than a lessee during 1943. Hence when parties decided to change from lease to "Ottikuzhikanam" in 1943 it must have been because they definitely meant for the change.

The mortgage amount stipulated in Ex.P1 was Rs. 850. Learned single judge of the High Court highlighted the cash payment made on the date of execution of the deed as Rs.100 and observed that "the amount so advanced is negligible when compared with the value of 1.78 acres covered by the document". The said reasoning is very tenuous as the actual mortgage amount reserved in the document was Rs. 850 out of which the mortgagor had acknowledged receipt of Rs. 750 which was payable by him to the mortgagee by way of value of improvements. The said amount of Rs. 850 could not be described as negligible by any standard during the year 1943 in respect of an agricultural land comprising of 1.78 acres situated in a rural area.

Another feature to be noticed is that in Ex. P1 there was no stipulation to pay rent to the landowner. The mortgagee was permitted to utilize the property on the strength of Rs. 850 which the mortgagor had acknowledged to be the debt due from him to the mortgagee. This feature has to be juxtaposed with the recital in the earlier lease deed that the lessee should pay rent to the landlord.

Thus, the recital in Ex. P1 including its nomenclature, and the amount of mortgage debt are poignantly in favour of holding the transaction to be a mortgage and not a lessee.

Hence, the finding made by the Court in this case during the trial stage, which is binding on the parties, cannot be disturbed. The decree holder is, therefore, entitled to the fruits of his hard-earned decree. The

A impugned order of the High Court is liable to be set aside. In the result we allow this appeal and set aside the order of the High Court now under challenge and the revision petition filed by the first respondent in the High Court would, therefore, stand dismissed.

R.A.

Appeal allowed.