

THE MANAGING DIRECTOR, TNSTC LTD.

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v.

K.I. BINDU AND ORS.

OCTOBER 5, 2005

[ARIJIT PASAYAT AND ARUN KUMAR, JJ.]

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Motor Vehicles Act, 1988—Sections 163A and 166 r/w Second Schedule:

Fatal accident—Computation of compensation—Multiplier method—Fixation of appropriate multiplier—Deceased aged 34 years—Tribunal while awarding compensation applied a multiplier of 17—Propriety of—Held, not proper—Highest multiplier has to be for the age group of 21 to 25 years, when an ordinary person starts earning—Lowest would be in respect of person in the age group of 60 to 70, which is the normal retirement age—On facts, multiplier of 13 would be appropriate.

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Fatal accident—Computation of compensation—Contributory negligence on part of the deceased—Plea of—Not sustainable in facts-circumstances of the case—No definite material to infer that deceased by his negligent acts contributed to the accident.

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The bus belonging to appellant-corporation dashed against deceased, who was riding a motorcycle. Deceased was aged 34 years and his gross monthly income was Rs. 5,843 per month. The widow, children and mother of the deceased, i.e. the respondents filed claim petition before the Tribunal. Tribunal after making 1/3rd deduction towards personal expenses, arrived at an annual dependency amount of Rs. 46,752 and after applying a multiplier of 17 awarded a sum of Rs. 7,94,784. An additional sum of Rs. 40,000 was awarded for pain and sufferings, loss of love and affection, transportation, post mortem and funeral expenditure. Appellant-corporation challenged the award before High Court which declined to interfere.

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In appeal to this Court, the compensation awarded was challenged on grounds of contributory negligence on the part of the deceased and the multiplier adopted being on the higher side.

A Allowing the appeal, the Court

HELD: 1. No definite material as regards contributory negligence was placed on record. There was no definite material to infer that deceased by his negligent acts contributed to the accident. [1093-A-B-C]

B 2.1. The measure of damage is the pecuniary loss suffered and is likely to be suffered by each dependent. The assessment of damages to compensate the dependants is beset with difficulties because from the nature of things, it has to take into account many imponderables, e.g., the life expectancy of the deceased and the dependants, the amount that the deceased would have earned during the remainder of his life, the amount that he would have contributed to the dependants during that period, the chances that the deceased may not have lived or the dependants may not live up to the estimated remaining period of their life expectancy, the chances that the deceased might have got better employment or income or might have lost his employment or income together.

C [1094-C; 1094-F-G-H]

D 2.2. The manner of arriving at the damages is to ascertain the net income of the deceased available for the support of himself and his dependants, and to deduct therefrom such part of his income as the deceased was accustomed to spend upon himself, as regards both self-maintenance and pleasure, and to ascertain what part of his net income the deceased was accustomed to spend for the benefit of the dependants. Then that should be capitalized by multiplying it by a figure representing the proper number of year's purchase. [1094-H; 1095-A-B]

E 2.3. Much of the calculation necessarily remains in the realm of hypothesis "and in that region arithmetic is a good servant but a bad master" since there are no often many imponderables. In every case "it is the overall picture that matters", and the court must try to assess as best as it can the loss suffered. [1095-B-C]

F *Municipal Corporation of Delhi v. Subhagwanti*, [1966] 3 SCR 649 and *Gobald Motor Service Ltd. v. R.M.K. Veluswami*, [1962] 1 SCR 929, referred to.

G *Davies v. Powell Duffryn Associated Collieries Ltd.*, 1942 AC 601 and *Baker v. Bolton*, (1979) 1 All ER 774, referred to.

H 3.1. The multiplier method involves the ascertainment of the loss of

dependency or the multiplicand having regard to the circumstances of the case and capitalizing the multiplicand by an appropriate multiplier. The choice of the multiplier is determined by the age of the deceased (or that of the claimants whichever is higher) and by the calculation as to what capital sum, if invested at a rate of interest appropriate to a stable economy, would yield the multiplicand by way of annual interest. In ascertaining this, regard should also be had to the fact that ultimately the capital sum should also be consumed-up over the period for which the dependency is expected to last. [1095-H; 1096-A-B-C]

3.2. The highest multiplier has to be for the age group of 21 years to 25 years when an ordinary Indian Citizen starts independently earning and the lowest would be in respect of a person in the age group of 60 to 70, which is the normal retirement age. [1097-G-H]

3.3. Taking into account the relevant factors and the age of the deceased it would be appropriate to apply the multiplier of 13. On that basis the compensation comes to about Rs.6 lakhs and is rounded to Rs.6 lakhs. In other words, instead of Rs.8,34,794 the claimants will be entitled to Rs. 6 lakhs. Going by the applicable bank rate of interest, the interest payable in the case is fixed at 7.5% per annum from the date of application till payment after adjustment of amount, if any, paid. [1098-A-B]

General Manager, Kerala State Road Transport Corporation, Trivandrum v. Susamma Thomas (Mrs.) and Ors., [1994] 2 SCC 176 and *U.P. State Road Transport Corporation and Ors. v. Trilok Chandra and Ors.*, [1996] 4 SCC 362, referred to.

Nance v. British Columbia Electric Railway Co. Ltd., (1951) 2 All ER 448 and *Mallett v. Mc Mongle*, (1969) 2 All ER 178, referred to.

Halsbury's Laws of England vol. 34, para 98 - referred to.

CIVIL APPELLATE JURISDICTION : Civil Appeal No. 6143 of 2005.

From the Judgment and Order dated 24.2.2003 of the Kerala High Court in M.F.A. No. 212 of 2003(F).

R. Ayyam Perumal for the Appellant.

G. Prakash for the Respondents.

A The Judgment of the Court was delivered by

ARIJIT PASAYAT, J. Leave granted.

B Challenge in this Appeal is to the judgment rendered by a Division Bench of the Kerala High Court affirming the Award made by the Motor Accident Claims Tribunal, Neyyattinkara (in short the 'Tribunal'), disposing of an application filed under Section 166 of the Motor Vehicles Act, 1988 (in short the 'Act').

C Background facts according to the respondents (hereinafter referred to as 'Claimants') are as follows:

D On 5th July, 2002 at about 7.30 P.M. one Sathesh Kumar (hereinafter referred to as 'the deceased') lost his life in an automobile accident. The deceased was riding a Hero Honda Motor Cycle. The bus belonging to the appellant-Corporation (hereinafter referred to as the 'Corporation') dashed against the deceased as a result of which he sustained serious injuries on the left side of his body, thereafter, he was taken to the Medical College Hospital, Thirueanantpuram where he expired. A claim petition was filed by the respondents who are the widow, children and the mother of the deceased before the Tribunal. A claim of Rs.25 lakhs as compensation was made. Considering the evidence on record the Tribunal came to hold that the claimants were entitled to Rs.8,34,784 as compensation. Age of the deceased was taken to be 34 years. With reference to the salary certificate the gross monthly income was taken to be Rs.5,843 and making deduction of 1/3rd of the said amount towards personal expenses, the contribution to the family was worked out at Rs.3,896 and annual dependency was arrived at Rs.46,752. Multiplier of 17 was applied and accordingly the amount was calculated at Rs.7,94,784. In addition to that a sum of Rs.40,000 for pain and sufferings, loss of love and affection, transportation, post mortem and funeral expenditure was awarded. The award was challenged by the Corporation before the High Court on several grounds. Primary stand was regarding alleged contributory negligence on the part of the deceased. It was, therefore, urged that the amount awarded cannot be maintained. It was also submitted that there was no loss of dependency as the respondent no. 1 had got clerical job on compassionate ground in place of the deceased who was working as an Upper Division Clerk in the Civil Supplies Corporation. The multiplier was also stated to be on the higher side. The High Court did not accept the plea regarding contributory negligence though reliance was placed on the evidence of a passenger in the bus (PW 2), who was also examined. On consideration

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of the claimant's case relating to the accident, High Court felt that there was no scope for any interference. A

The points urged before the High Court was reiterated by learned counsel for the appellant-Corporation. Learned counsel for the respondent-Claimants supported judgments of the Tribunal and the High Court. B

We find that no definite material as regards contributory negligence was placed on record. The evidence of PW-2, on which strong reliance was placed by learned counsel for the appellant, does not really further the case of the appellant-Corporation. There was no definite material to infer that deceased by his negligent acts contributed to the accident. C

The residual question is whether the quantum as awarded is on the higher side as claimed by the appellant-Corporation. It appears that the High Court referred to the Second Schedule to the Act in terms of Section 163(A) to hold that the multiplier of 17 is proper. D

Certain principles were highlighted by this Court in the case of *Municipal Corporation of Delhi v. Subhagwanti* [1966] 3 SCR 649 in the matter of fixing the appropriate multiplier and computation of compensation. In a fatal accident action, the accepted measure of damages awarded to the dependants is the pecuniary loss suffered by them as a result of the death. "How much has the widow and family lost by the father's death?" The answer to this lies in the oft quoted passage from the opinion of Lord Wright in *Davies v. Powell Duffreyn Associated Collieries Ltd.*, (1942) AC 601 which says: E

"The starting point is the amount of wages which the deceased was earning, the ascertainment of which to some extent may depend on the regularity of his employment. Then there is an estimate of how much was required or expended for his own personal and living expenses. The balance will give a datum or basic figure which will generally be turned into a lump sum by taking a certain number of years' purchase. That sum, however, has to be taxed down by having due regard to uncertainties, for instance, that the widow might have again married and thus ceased to be dependent, and other like matters of speculation and doubt." F G

The rule in common law in *Baker v. Bolton*, (1979) 1 All ER 774 enunciated by Lord Ellenborough was that "in a Civil Court, the death of a human being could not be complained of as an injury". Indeed, the maxim H

A action personalis *moritur cum persona*, had the effect that all actions in tort, with very few exceptions, also became extinguished with that person. Great changes were brought about by the Fatal Accidents Act, 1846 (now Fatal Accidents Act, 1976) and the Law Reforms (Miscellaneous Provisions) Act, 1934. Under the statute, as indeed under the Indian Statute as well, there are two separate and distinct cause of action, which are maintainable in consequence of a person's death. There were the dependant's claim for the financial loss suffered and acclaim for injury, loss or damage, which the deceased would have had, had he lived, and which survives for the benefit of his estate.

C The measure of damage is the pecuniary loss suffered and is likely to be suffered by each dependant. Thus "except where there is express statutory direction to the contrary, the damages to be awarded to a dependant of a deceased person under the Fatal Accidents Acts must take into account any pecuniary benefit accruing to that dependant in consequence of the death of the deceased. It is the net loss on balance which constitutes the measure of damages." Lord Wright in the *Davies's* case (*supra*) said, "The actual pecuniary loss of each individual entitled to sue can only be ascertained by balancing on the one hand the loss to him of the future pecuniary benefit, and on the other any pecuniary advantage which from whatever sources comes to him by reason of the death." These words of Lord Wright were adopted as the principle applicable also under the Indian Act in *Gobald Motor Service Ltd. v. R.M.K. Veluswami*, [1962] 1 SCR 929 where this Court stated that the general principle is that the actual pecuniary loss can be ascertained only by balancing on the one hand the loss to the claimant of the future pecuniary benefit and on the other any pecuniary advantage which from whatever sources comes to them by reason of the death, that is, the balance of loss and gain to a dependant by the death, must be ascertained.

G The assessment of damages to compensate the dependants is beset with difficulties because from the nature of things, it has to take into account many imponderables, e.g., the life expectancy of the deceased and the dependants, the amount that the deceased would have earned during the remainder of his life, the amount that he would have contributed to the dependants during that period, the chances that the deceased may not have lived or the dependants may not live up to the estimated remaining period of their life expectancy, the chances that the deceased might have got better employment or income or might have lost his employment or income together.

H The manner of arriving at the damages is to ascertain the net income

of the deceased available for the support of himself and his dependants, and to deduct therefrom such part of his income as the deceased was accustomed to spend upon himself, as regards both self-maintenance and pleasure, and to ascertain what part of his net income the deceased was accustomed to spend for the benefit of the dependants. Then that should be capitalized by multiplying it by a figure representing the proper number of year's purchase.

Much of the calculation necessarily remains in the realm of hypothesis "and in that region arithmetic is a good servant but a bad master" since there are so often many imponderables. In every case "it is the overall picture that matters", and the court must try to assess as best as it can the loss suffered.

There were two methods adopted to determine and for calculation of compensation in fatal accident actions, the first the multiplier mentioned in *Davies* case (supra) and the second in *Nance v. British Columbia Electric Railway Co. Ltd.*, (1951) 2 All ER 448 .

The multiplier method involves the ascertainment of the loss of dependency or the multiplicand having regard to the circumstances of the case and capitalizing the multiplicand by an appropriate multiplier. The choice of the multiplier is determined by the age of the deceased (or that of the claimants whichever is higher) and by the calculation as to what capital sum, if invested at a rate of interest appropriate to a stable economy, would yield the multiplicand by way of annual interest. In ascertaining this, regard should also be had to the fact that ultimately the capital sum should also be consumed-up over the period for which the dependency is expected to last.

The considerations generally relevant in the selection of multiplicand and multiplier were adverted to by Lord Diplock in his speech in *Mallett v. Mc Mongle*, (1969) 2 All ER 178 where the deceased was aged 25 and left behind his widow of about the same age and three minor children. On the question of selection of multiplicand Lord Diplock observed:

"The starting point in any estimate of the amount of the 'dependency' is the annual value of the material benefits provided for the dependants out of the earnings of the deceased at the date of his death. But....there are many factors which might have led to variations up or down in the future. His earnings might have increased and with them the amount provided by him for his dependants. They might have diminished with a recession in trade or he might have had spells of unemployment. As his children grew up and became independent the

A proportion of his earnings spent on his dependants would have been likely to fall. But in considering the effect to be given in the award of damages to possible variations in the dependency there are two factors to be borne in mind. The first is that the more remote in the future is the anticipated change the less confidence there can be in the chances of its occurring and the smaller the allowance to be made for it in the assessment. The second is that as a matter of the arithmetic of the calculation of present value, the later the change takes place the less will be its effect upon the total award of damages. Thus at interest rates of 4- 1/2% the present value of an annuity for 20 years of which the first ten years are at \$ 100 per annum and the second ten years at \$ 200 per annum, is about 12 years' purchase of the arithmetical average annuity of \$ 150 per annum, whereas if the first ten years are at \$200 per annum and the second ten years at \$ 100 per annum the present value is about 14 years' purchase of the arithmetical mean of \$ 150 per annum. If therefore the chances of variations in the 'dependency' are to be reflected in the multiplicand of which the years' purchase is the multiplier, variations in the dependency which are not expected to take place until after ten years should have only a relatively small effect in increasing or diminishing the 'dependency' used for the purpose of assessing the damages."

E In regard to the choice of the multiplicand the Halsbury's Laws of England in vol. 34, para 98 states the principle thus:

F "98. Assessment of damages under the Fatal Accident Act, 1976 - The courts have evolved a method for calculating the amount of pecuniary benefit that dependants could reasonably expect to have received from the deceased in the future. First the annual value to the dependants of those benefits (the multiplicand) is assessed. In the ordinary case of the death of a wage-earner that figure is arrived at by deducting from the wages the estimated amount of his own personal and living expenses.

G The assessment is split into two parts. The first part comprises damages for the period between death and trial. The multiplicand is multiplied by the number of years which have elapsed between those two dates. Interest at one-half the short-term investment rate is also awarded on that multiplicand. The second part is damages for the period from the trial onwards. For that period, the number of years which have based on the number of years that the expectancy would

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probably have lasted; central to that calculation is the probable length of the deceased's working life at the date of death." A

As to the multiplier, Halsbury states:

"However, the multiplier is a figure considerably less than the number of years taken as the duration of the expectancy. Since the dependants can invest their damages, the lump sum award in respect of future loss must be discounted to reflect their receipt of interest on invested funds, the intention being that the dependants will each year draw interest and some capital (the interest element decreasing and the capital drawings increasing with the passage of years), so that they are compensated each year for their annual loss, and the fund will be exhausted at the age which the court assesses to be the correct age, having regard to all contingencies. The contingencies of life such as illness, disability and unemployment have to be taken into account. Actuarial evidence is admissible, but the courts do not encourage such evidence. The calculation depends on selecting an assumed rate of interest. In practice about 4 or 5 per cent is selected, and inflation is disregarded. It is assumed that the return on fixed interest bearing securities is so much higher than 4 to 5 per cent that rough and ready allowance for inflation is thereby made. The multiplier may be increased where the plaintiff is a high tax payer. The multiplicand is based on the rate of wages at the date of trial. No interest is allowed on the total figure." B
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In both *General Manager, Kerala State Road Transport Corporation, Trivandrum v. Susamma Thomas (Mrs.) and Ors.*, [1994] 2 SCC 176 and *U.P. State Road Transport Corporation And Ors. v. Trilok Chandra and Ors.*, [1996] 4 SCC 362 the multiplier appears to have been adopted by this Court taking note of the prevalent banking rate of interest. F

In fact in *Trilok Chand's* case (*supra*), after reference to Second Schedule to the Act, it was noticed that the same suffers from many defects. It was pointed out that the same is to serve as a guide, but cannot be said to be invariable ready reckoner. However, the appropriate highest multiplier was held to be 18. The highest multiplier has to be for the age group of 21 years to 25 years when an ordinary Indian Citizen starts independently earning and the lowest would be in respect of a person in the age group of 60 to 70, which is the normal retirement age. G
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- A Taking into account the relevant factors and the age of the deceased it would be appropriate to apply the multiplier of 13. On that basis the compensation comes to about Rs.6 lakhs and is rounded to Rs.6 lakhs. In other words, instead of Rs.8,34,794 the claimants will be entitled to Rs.6 lakhs. Going by the applicable bank rate of interest, the interest payable in the case is fixed at 7.5% per annum from the date of application till payment after adjustment of amount, if any, paid. Out of the said amount Rs.1.5 lakhs each in the names of respondent Nos. 1, 2 and 3 shall be kept in fixed deposit in any scheduled bank for a period of 5 years. So far as the respondents 2 and 3 are concerned the fixed deposit shall be renewed till they attain majority. Till that time the fixed deposit shall be made by respondent No.1 as the mother guardian. A sum of Rs.50,000 shall be kept in the name of respondent No.4. Deposit shall be made on the basis of monthly interest arrangement which shall be permitted to be withdrawn by the respondents. No loan or advance of any type shall be permitted against the fixed deposits without leave of the Tribunal. Respondents if, however, to meet any urgent need for money, they may make application to the Tribunal for permitting withdrawal.
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- D The Tribunal shall consider the application if and when made and looking into the real need for money, if any, pass appropriate orders.

The appeal is allowed to the aforesaid extent with no order as to costs.

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Appeal Allowed.