2026 INSC 974

**REPORTABLE**

**IN THE SUPREME COURT OF INDIA**

**CIVIL APPELLATE JURISDICTION**

**CIVIL APPEAL NO. OF 2026**
**(Arising out of SLP (C) No.16531/2025)**

**POOSA SRI KRISHNA & ORS.**

**A-1: Poosa Sri Krishna**

**A-2: Poosa Ravi Babu**

**A-3: Poosa Ram Babu**

**A-4: Poosa Raju**

**A-5: Poosa Shoba**

**A-6: Poosa Shashikanth**

**A-7: Poosa Hiranya**

**A-8: Poosa Veena**

**A-9: Poosa Lavanya**

**A-10: Poosa Sunanda**

**Appellant(s)**

**VERSUS**

**GATTU KISHAN RAO & ANR.**

**R-1: Sri Gattu Kishan Rao**

**R-2: Smt. Gattu Indrasena**

**Respondent(s)**

**O R D E R**

**Heard learned counsel for the parties.**

**2. Leave granted.**



**3. The present appeal arises out of the order dated 03.01.2025 passed by the High Court for the State of Telangana at Hyderabad in CRP No. 3211/2024, by which the order rejecting the application**

filed by the appellants under Order VII Rule 11 of the Code of Civil Procedure, 1908 (hereinafter referred to as "CPC") has been upheld.

4. Learned counsel for the appellants submits that the suit was basically for recovery of money and was a money suit. However, the claim was based on the averment that the money which was recoverable as per the suit had been paid to the appellants by the original plaintiff for procurement of loans from various banks. More specifically, the money was to be used for overhead expenses, which were not specified.

5. It was his contention that the disclosure in the plaint itself shows that at least part of the money was to be paid to the bank officials in their individual capacity, which clearly indicated that it was for extraneous consideration for seeking their help for getting the loans in question sanctioned, and was essentially designed to achieve an unlawful object by fraudulent means. He submitted that the unlawful object is further reiterated in so many words at various places in the plaint, which indicates that part of the money was to be paid by way of kickbacks to bank officials, with a clearly predetermined motive to ensure that, upon the sanction of the illegal loan, the same would also be waived at some point of time.

6. It was contended that when the basis of a claim is itself patently illegal, and fraudulent, no proceeding, much less before a court of law, would be permissible or should be entertained. Thus, it was submitted that the appellants had rightly filed an application under Order VII Rule 11(d) of the CPC for rejection of

**the plaint, which was wrongly rejected and was not interfered with by the High Court vide the impugned order.**

**7. Learned counsel for respondents No. 1 and 2 submitted that the Trial Court, as well as the High Court, have committed no error. It was his contention that the language used in the plaint indicates that the money was to be used for various purposes, including for processing the loan requirements/formalities. Thus, it cannot be construed that it was for the purposes of satisfying/gratifying the illegal demands of the bank officials in their individual capacity. It was contended that, even otherwise, the appellants had committed fraud, inasmuch as they had fraudulently represented to the original plaintiff that by parting with a huge amount, the benefit would be manifold, and the plaintiff stood to gain from such transactions. Thus, learned counsel contended that the Court would not leave her without remedy for being defrauded of a huge amount, which is due and recoverable from the appellants.**

**8. Learned counsel further submitted that even if the plaint may disclose the purpose for which the money is said to have been given to be not purely legal, this Court in the case of *Sita Ram v. Radha Bai and others, 1967 SCC OnLine SC 27*, has carved out certain exceptions to the maxim in *pari delicto potior est conditio defendentis*. It was submitted that in similar circumstances, when initially the transaction was for an illegal purpose, if the transaction has not fructified, a suit for recovery of the money would be maintainable. Reliance was based on paragraph 11 of the aforementioned judgment. It was further contended that if the plaint is dismissed under Order VII Rule 11(d) of the CPC, it would**

lead to unjust enrichment for the appellants at the cost of causing a legal and permanent injury to the original plaintiff, who is now represented by her father-in-law, as she and the son of respondents No. 1 and 2 are not alive.

9. Having considered the matter in its entirety, and going by the settled principle of law, we find that the plaint discloses sufficient material to indicate that the consideration or the object of the Memorandum of Understanding executed between the parties was forbidden by law, immoral, opposed to public policy and would defeat the provisions of law besides being fraudulent. Consequently, the underlying agreement between the parties was void being violative of Section 23 of the Indian Contract Act, 1872.

10. Further, we find substance and concur with the submissions of the learned counsel for the appellants that the plaint discloses that the so-called money given was for an illegal and fraudulent purpose on two grounds. Firstly, that it was for the purpose of satisfying the demands of the bank officials in their personal capacity and secondly, after demonetization, it is the specific averment in the plaint itself that the demonetized notes were collected/procured and given for exchange to the appellants for consideration, which was legally impermissible.

11. Accordingly, this Court is of the view that the principle of *in pari delicto* is clearly applicable to the present case. In Black's Law Dictionary, Tenth Edition, *in pari delicto* has been defined as "*the principle that a plaintiff who has participated in wrongdoing may not recover damages resulting from the wrong doing*".

12. It is settled law that when parties to a legal controversy are

**in pari delicto neither can obtain any relief from the Court, since both are at equal fault or of equal guilt. In *Bateman Echler, Hill Richards, Inc. v. Berner, 1985 SCC OnLine US SC 155: 472 US 299 (1985)*, the U.S. Supreme Court has held as under:**

> ***"The common-law defense at issue in this case derives from the Latin, in pari delicto portior est conditio defendentis: "In a case of equal or mutual fault …… the position of the [defending] party…… is the better one." The defense is grounded on two premises : first, that courts should not lend their good offices to mediating disputes among wrongdoers; and second, that denying judicial relief to an admitted wrongdoer is an effective means of deterring illegality ……"*** **(emphasis supplied)**

**13. Further, the Supreme Court in *G.Pankajakshi Amma v. Mathai Mathew (Dead) Through LRS, (2004) 12 SCC 83* has held as under:**

> ***"10. There is any reason also why the impugned judgment cannot be upheld. According to the 1st respondent these transactions were to be unaccounted transactions. According to the 1st respondent, all these amounts are paid in cash. If these are unaccounted transactions then they are illegal transactions. No court can come to the aid of the party in an illegal transaction. It is settled law that in such cases the loss must be allowed to lie where it falls. In this case as these are unaccounted transactions, the Court could not have lent its hands and passed a decree. For these reasons also the suit was required to be dismissed."***
> **(emphasis supplied)**

**14. In fact, one of us (Manmohan J.) in *Vinod Popli vs. Ragini Popli & Ors., 2015 SCC online Del 8506* has followed the aforesaid principle.**

**15. We also find that the reliance placed by the learned counsel for respondent Nos. 1 and 2 in the case of *Sita Ram* (supra) is misplaced, as, besides the facts being distinguishable, the principles, though exceptions are carved out, do not benefit or come to the aid of the respondent Nos. 1 and 2 in the facts and**

**circumstances of the present case, for the reason that here, as far as the original plaintiff was concerned, on her part, the entire act was complete as she alleges to have parted with the money which was demanded by the appellants, but the appellants had not performed their side of the obligation as per the so-called agreement of procuring the loans. Moreover, as stated hereinabove, the illegal purpose has been substantially carried into effect as there is specific averment in the plaint that demonetized notes had been procured as consideration for the agreement executed between the parties.**

**16. For the reasons aforesaid, the appeal is allowed. The application under Order VII Rule 11 stands allowed and the Suit bearing O.S. No.18 of 2018 pending before the Additional District Judge at Godavarikhani, Peddapalli District, Telangana stands rejected.**

**17. Pending applications, if any, stand disposed of.**

**......................J.**
**(AHSANUDDIN AMANULLAH)**

**......................J.**
**(MANMOHAN)**

**NEW DELHI**
**AUGUST 31st, 2026**

ITEM NO.21 COURT NO.8 SECTION XII-A

**S U P R E M E C O U R T O F I N D I A**
**RECORD OF PROCEEDINGS**

**Petition(s) for Special Leave to Appeal (C) No(s). 16531/2025**

[Arising out of impugned final judgment and order dated 03-01-2025 in CRP No. 3211/2024 passed by the High Court for The State of Telangana at Hyderabad]

POOSA SRI KRISHNA & ORS. Petitioner(s)

VERSUS

GATTU KISHAN RAO & ANR. Respondent(s)

IA No. 133867/2025 - ADDITION / DELETION / MODIFICATION PARTIES
IA No. 100737/2025 - EXEMPTION FROM FILING C/C OF THE IMPUGNED JUDGMENT

Date : 31-08-2026 This matter was called for hearing today.

CORAM : HON'BLE MR. JUSTICE AHSANUDDIN AMANULLAH
HON'BLE MR. JUSTICE MANMOHAN

For Petitioner(s) : Mr. Balaji Srinivasan, AoR

For Respondent(s) : Mr. Shravan Kumar Yammanur, Adv.
Mr. Tadimalla Bhaskar Gowtham, Adv.
Mr. Aman Shukla, Adv.
Mr. M. Chandrakanth Reddy, Adv.
Ms. Shambhawi Siva, Adv.
Mr. Shambhunath Bhanja, Adv.
Mr. Gopal Jha, AoR

**O R D E R**

Heard learned counsel for the parties.

2. Leave granted.

3. The appeal is allowed in terms of the reportable signed order which is placed on the file. The application under Order VII Rule

**11 stands allowed and the Suit bearing O.S. No.18 of 2018 stands rejected.**

**4. Pending applications, if any, stand disposed of.**

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| **(SACHIN KUMAR SRIVASTAVA)**<br>**COURT MASTER (SH)** | **(ANJALI PANWAR)**<br>**ASSISTANT REGISTRAR** |