

BOODIREDDY CHANDRAIAH AND ORS.

v.

ARIGELA LAXMI AND ANR.

SEPTEMBER 17, 2007

[DR. ARIJIT PASAYAT AND D.K. JAIN, JJ.]

Code of Civil Procedure, 1908:

s. 100—Second appeal—Memorandum of appeal to state and High Court to formulate substantial question of law—HELD: In spite of several decisions of Supreme Court highlighting requirement of formulating substantial question of law, if any, before adjudicating second appeal, the mandatory requirement is not being followed—Principles relating to s.100 summarised in the judgment—Matter remitted to High Court to formulate substantial question of law, if any, and to decide the second appeal accordingly.

Words and Phrases:

Phrase “substantial question of law” and expression “substantial”—Connotation of in the context of s.100 CPC.

In the instant appeal legality of the impugned judgment of the High Court in second appeal in terms of s. 100 CPC was questioned primarily on the ground that the appeal was allowed without formulating any substantial question of law.

Allowing the appeal, the Court

HELD:1.1. In spite of several decisions of this Court highlighting the requirement of formulating the substantial question of law, if any, before adjudicating the second appeal, time and again, the mandatory requirement is not being followed and, the High Courts have been issuing notices and generally deciding the second appeals without adhering to the procedure prescribed under s.100 CPC. After the amendment a second appeal can be filed only if a substantial question of law is involved in the case. The memorandum of appeal must precisely state the substantial question of law

A involved and the High Court is obliged to satisfy itself regarding the existence of such a question. It has to be kept in mind that the right of appeal is neither a natural nor an inherent right attached to the litigation. Being a substantial statutory right, it has to be regulated in accordance with law in force at the relevant time. The conditions mentioned in the section must be strictly fulfilled before a second appeal can be maintained and no court has the power to add or to enlarge those grounds.

[Paras 4, 5 and 14] [1063-H; 1064-A, C, E; 1068-E]

1.2. The phrase “substantial question of law”, as occurring in the amended Section 100 of the CPC is not defined in the Code. The word substantial, as qualifying “question of law”, means – of having substance, essential, real, of sound worth, important or considerable. It is to be understood as something in contradistinction with – technical, of no substance or consequence, or academic merely. To be “substantial” a question of law must be debatable, not previously settled by law of the land or a binding precedent, and must have a material bearing on the decision of the case, if answered either way, in so far as the rights of the parties before it are concerned.

[Paras 8 and 11] [1065-H; 1066-A; 1067-B-C]

1.3. The principles relating to s.100 CPC may be summarized thus:

(i) An inference of fact from the recitals of contents of a document is a question of fact. But the legal effect of the terms of a document is a question of law. Construction of a document involving the application of any principle of law is also a question of law. Therefore, when there is misconstruction of a document or wrong application of a principle of law in construing a document, it gives rise to a question of law; (ii) The High Court should be satisfied that the case involves a substantial question of law, and not a mere question of law. A question of law having a material bearing on the decision of the case (that is, a question, answer to which affects the rights of parties to the suit) will be a substantial question of law, if it is not covered by any specific provisions of law or settled legal principle emerging from binding precedents, and, involves a debatable legal issue. A substantial question of law will also arise in a contrary situation, where the legal position is clear, either on account of express provisions of law or binding precedents, but the court below has decided the matter, either ignoring or acting contrary to such legal principle. In the second type of cases, the substantial question of law arises not because the law is still debatable, but because the decision rendered on a material question, violates the settled position of law.

[Para 12] [1067-E-H; 1068-A-B]

Sir Chunilal V. Mehta and Sons Ltd. v. Century Spg. & Mfg. Ltd., AIR (1962) SC 1314; *Reserve Bank of India v. Ramkrishna Govind Morey*, [1976] 1 SCC 803; *Kondiba Dogadu Kadam v. Savitribai Sopan Guar and Ors.*, [1999] 3 SCC 722; *Guran Ditta v. T. Ram Ditta*, AIR (1928) PC 172; *Rimmalapudi Subba Rao v. Noony Veeraju*, AIR (1951) Mad. 969; *Dy. Commr. Hardoi v. Rama Krishna Narain*, AIR (1953) SC 521 and *Santosh Hazari v. Purushottam Tiwari (deceased) by Lrs.*, [2001] 3 SCC 179, relied on.

1.4. The impugned order is set aside and the matter is remitted to the High Court to formulate substantial question of law, if any, and thereafter decide the appeal. Needless to say if there is no substantial question of law involved, the appeal has to be dismissed. [Para 15]

CIVIL APPELLATE JURISDICTION : Civil Appeal No. 4306 of 2007.

From the Judgment and Order dated 21.01.2003 of High Court of Judicature of Andhra Pradesh at Hyderabad in Second Appeal No. 617 of 2002.

D. Rama Krishna Reddy and D. Bharathi Reddy for the Appellant.

P.S. Narasimha, K. Maruthi Rao, K. Radha and Anjani Aiyagari for the Respondent.

The Judgment of the Court was delivered by

DR. ARIJIT PASAYAT, J. 1. Leave granted.

2. The appellants call in question legality of the judgment of a learned Single Judge of the Andhra Pradesh High Court allowing the Second Appeal filed by the respondents in terms of Section 100 of the Code of Civil Procedure, 1908 (in short the 'CPC'). Though many points were urged in support of the appeal, primarily it was contended that the Second Appeal was allowed without formulating any substantial question of law which is mandatory in law.

3. Learned counsel for the respondents submitted that though no question has rightly been formulated, but the basic factors have been taken into account and after considering the materials on record the second appeal was allowed.

4. After the amendment a second appeal can be filed only if a substantial

- A question of law is involved in the case. The memorandum of appeal must precisely state the substantial question of law involved and the High Court is obliged to satisfy itself regarding the existence of such a question. If satisfied, the High Court has to formulate the substantial question of law involved in the case. The appeal is required to be heard on the question so formulated. However, the respondent at the time of hearing of the appeal has a right to argue that the case in the court did not involve any substantial question of law. The proviso to the section acknowledges the powers of the High Court to hear the appeal on a substantial point of law, though not formulated by it with the object of ensuring that no injustice is done to the litigant where such a question was not formulated at the time of admission either by mistake or by inadvertence.

5. It has been noted time and again that without insisting for the statement of such a substantial question of law in the memorandum of appeal and formulating the same at the time of admission, the High Courts have been issuing notices and generally deciding the second appeals without adhering to the procedure prescribed under Section 100 of the CPC. It has further been found in a number of cases that no efforts are made to distinguish between a question of law and a substantial question of law. In exercise of the powers under this section in several cases, the findings of fact of the first appellate court are found to have been disturbed. It has to be kept in mind that the right of appeal is neither a natural nor an inherent right attached to the litigation. Being a substantive statutory right, it has to be regulated in accordance with law in force at the relevant time. The conditions mentioned in the section must be strictly fulfilled before a second appeal can be maintained and no court has the power to add or to enlarge those grounds. The second appeal cannot be decided on merely equitable grounds. The concurrent findings of facts will not be disturbed by the High Court in exercise of the powers under this section. Further, a substantial question of law has to be distinguished from a substantial question of fact. This Court in *Sir Chunilal V. Mehta and Sons Ltd. v. Century Spg. & Mfg. Co. Ltd.*, AIR (1962) SC 1314 held that :

- "The proper test for determining whether a question of law raised in the case is substantial would, in our opinion, be whether it is of general public importance or whether it directly and substantially affects the rights of the parties and if so whether it is either an open question in the sense that it is not finally settled by this Court or by the Privy Council or by the Federal Court or is not free from difficulty or calls for discussion of alternative views. If the question is settled

by the highest court or the general principles to be applied in determining the question are well settled and there is a mere question of applying those principles or that the plea raised is palpably absurd the question would not be a substantial question of law." A

6. It is not within the domain of the High Court to investigate the grounds on which the findings were arrived at, by the last court of fact, being the first appellate court. It is true that the lower appellate court should not ordinarily reject witnesses accepted by the trial court in respect of credibility but even where it has rejected the witnesses accepted by the trial court, the same is no ground for interference in second appeal when it is found that the appellate court has given satisfactory reasons for doing so. In a case where from a given set of circumstances two inferences of fact are possible, one drawn by the lower appellate court will not be interfered by the High Court in second appeal. Adopting any other approach is not permissible. The High Court will, however, interfere where it is found that the conclusions drawn by the lower appellate court were erroneous being contrary to the mandatory provisions of law applicable or its settled position on the basis of pronouncements made by the Apex Court, or was based upon inadmissible evidence or arrived at by ignoring material evidence. B C D

7. The question of law raised will not be considered as a substantial question of law, if it stands already decided by a larger Bench of the High Court concerned or by the Privy Council or by the Federal Court or by the Supreme Court. Where the facts required for a point of law have not been pleaded, a litigant should not be allowed to raise that question as a substantial question of law in second appeal. Mere appreciation of facts, the documentary evidence or the meaning of entries and the contents of the documents cannot be held to be raising a substantial question of law. But where it is found that the first appellate court has assumed jurisdiction which did not vest in it, the same can be adjudicated in the second appeal, treating it as a substantial question of law. Where the first appellate court is shown to have exercised its discretion in a judicial manner, it cannot be termed to be an error either of law or of procedure requiring interference in second appeal. This Court in *Reserve Bank of India v. Ramkrishna Govind Morey*, [1976] 1 SCC 803 held that whether the trial court should not have exercised its jurisdiction differently is not a question of law justifying interference. [See: *Kondiba Dogadu Kadam v. Savitribai Sopan Gujar and Ors.*, [1999] 3 SCC 722]. E F G

8. The phrase "substantial question of law", as occurring in the amended H

- A Section 100 of the CPC is not defined in the Code. The word substantial, as qualifying "question of law", means - of having substance, essential, real, of sound worth, important or considerable. It is to be understood as something in contradistinction with - technical, of no substance or consequence, or academic merely. However, it is clear that the legislature has chosen not to qualify the scope of "substantial question of law" by suffixing the words "of general importance" as has been done in many other provisions such as Section 109 of the CPC or Article 133(1)(a) of the Constitution. The substantial question of law on which a second appeal shall be heard need not necessarily be a substantial question of law of general importance. In *Guran Ditta v. T. Ram Ditta*, AIR (1928) PC 172, the phrase 'substantial question of law' as it was employed in the last clause of the then existing Section 100 CPC (since omitted by the Amendment Act, 1973) came up for consideration and their Lordships held that it did not mean a substantial question of general importance but a substantial question of law which was involved in the case. In *Sri Chunalal's case* (supra), the Constitution Bench expressed agreement with the following view taken by a full Bench of the Madras High Court in *Rimmalapudi Subba Rao v. Noony Veeraju*, AIR (1951) Mad. 969:

"When a question of law is fairly arguable, where there is room for difference of opinion on it or where the Court thought it necessary to deal with that question at some length and discuss alternative views, then the question would be a substantial question of law. On the other hand if the question was practically covered by the decision of the highest court or if the general principles to be applied in determining the question are well settled and the only question was of applying those principles to be particular facts of the case it would not be a substantial question of law."

9. This Court laid down the following test as proper test, for determining whether a question of law raised in the case is substantial:

"The proper test for determining whether a question of law raised in the case is substantial would, in our opinion, be whether it is of general public importance or whether it directly and substantially affects the rights of the parties and if so whether it is either an open question in the sense that it is not finally settled by this Court or by the Privy Council or by the Federal Court or is not free from difficulty or calls for discussion of alternative views. If the question is settled by the highest court or the general principles to be applied in

determining the question are well settled and there is a mere question of applying those principles or that the plea raised is palpably absurd the question would not be a substantial question of law." A

10. In *Dy. Commr. Hardoi v. Rama Krishna Narain*, AIR (1953) SC 521 also it was held that a question of law of importance to the parties was a substantial question of law entitling the appellant to a certificate under (the then) Section 100 of the CPC. B

11. To be "substantial" a question of law must be debatable, not previously settled by law of the land or a binding precedent, and must have a material bearing on the decision of the case, if answered either way, insofar as the rights of the parties before it are concerned. To be a question of law "involving in the case" there must be first a foundation for it laid in the pleadings and the question should emerge from the sustainable findings of fact arrived at by court of facts and it must be necessary to decide that question of law for a just and proper decision of the case. An entirely new point raised for the first time before the High Court is not a question involved in the case unless it goes to the root of the matter. It will, therefore, depend on the facts and circumstance of each case whether a question of law is a substantial one and involved in the case, or not; the paramount overall consideration being the need for striking a judicious balance between the indispensable obligation to do justice at all stages and impelling necessity of avoiding prolongation in the life of any lis. (See :*Santosh Hazari v. Purushottam Tiwari (deceased) by Lrs.*, [2001] 3 SCC 179). C D E

12. The principles relating to Section 100 CPC, relevant for this case, may be summarised thus:-

- (i) An inference of fact from the recitals or contents of a document is a question of fact. But the legal effect of the terms of a document is a question of law. Construction of a document involving the application of any principle of law, is also a question of law. Therefore, when there is misconstruction of a document or wrong application of a principle of law in construing a document, it gives rise to a question of law. F G
- (ii) The High Court should be satisfied that the case involves a substantial question of law, and not a mere question of law. A question of law having a material bearing on the decision of the case (that is, a question, answer to which affects the rights of H

A parties to the suit) will be a substantial question of law, if it is not covered by any specific provisions of law or settled legal principle emerging from binding precedents, and, involves a debatable legal issue. A substantial question of law will also arise in a contrary situation, where the legal position is clear, either on account of express provisions of law or binding precedents, but the court below has decided the matter, either ignoring or acting contrary to such legal principle. In the second type of cases, the substantial question of law arises not because the law is still debatable, but because the decision rendered on a material question, violates the settled position of law.

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D 13. The general rule is that High Court will not interfere with concurrent findings of the Courts below. But it is not an absolute rule. Some of the well recognized exceptions are where (i) the courts below have ignored material evidence or acted on no evidence; (ii) the courts have drawn wrong inferences from proved facts by applying the law erroneously; or (iii) the courts have wrongly cast the burden of proof. When we refer to 'decision based on no evidence', it not only refers to cases where there is a total dearth of evidence, but also refers to any case, where the evidence, taken as a whole, is not reasonably capable of supporting the finding.

E 14. In spite of several decisions of this Court highlighting the requirement of formulating the substantial question of law, if any, before adjudicating the Second Appeal, time and again, it has come to our notice that the mandatory requirement is not being followed.

F 15. The impugned order is set aside and the matter is remitted to the High Court to formulate substantial question of law, if any, and thereafter decide the appeal. Needless to say if there is no substantial question of law involved, the appeal has to be dismissed. We make it clear that we have expressed any view as to whether any substantial question of law is involved.

16. The appeal is allowed. There shall be no order as to costs.

R.P.

Appeal allowed.