

(1985) 05 SC CK 0002

In the Supreme Court Of India

Case No : Civil Appeal No. 2216 (N) of 1970

Hirachand Kothari (Dead) by Lrs

APPELLANT

Vs

State of Rajasthan and Another

RESPONDENT

Date of Decision : 09-05-1985

Acts Referred:

Civil Procedure Code, 1908 (CPC) — Section 86
Evidence Act, 1872 — Section 18, 20

Citation : AIR 1985 SC 998 : (1985) 98 LW 686 : (1985) 1 SCALE 1131 : (1985) SCC 17 Supp : (1985) 1 SCR 644 Supp : (1985) 2 WLN 135

Hon'ble Judges : V. Khalid, J;A. N. Sen, J

Bench : Division Bench

Advocate : S. K. Jain, for the Appellant; Maya Rao (Not Present), for the Respondent

Final Decision : Allowed

Judgement

1. The present appeal on certificate raises two questions, namely (1) Whether the parties by mutual consent had agreed to appoint D.N. Gupta, Superintending Engineer and Town Planning Officer, Jaipur to ascertain the value of the disputed land as an appraiser or valuer and therefore the appraisal or valuation thereof by him in his Report (Exh. 5) dated February 21, 1956 at Rs. 35,826.50 p. should be treated as an admission u/s 20 of the Evidence Act, 1872, on the basis of which the plaintiff's claim for damages had to be decreed, and (2) Whether the plaintiff being deprived of property was, on general principles, entitled to payment of interest on the amount payable to him as the value of the property taken by the State Government.

2. The facts bearing on the questions are briefly stated. In accordance with the terms of the registered deed of exchange executed by the parties on July 16, 1951, the appellant withdrew a suit for specific performance of an alleged contract against the State Government being Civil Suit No. 120/50 pending in the Court of the Civil Judge, Jaipur City whereunder the State Government agreed to

give in exchange plot No. 0/17 located in Scheme on resumption of his plot bearing No. C/91 in the same scheme and handed over possession to the State Government of the aforesaid plot No. C/91, but the State Government on their part did not give possession of the exchanged plot to him, in consequence whereof the appellant instituted a suit for possession of the exchanged plot and for mesne profits thereof against the State Government being Civil Suit No. 270/51 in the Court of the Civil Judge, Jaipur City. The State Government in their written statement pleaded inter alia that the suit was not maintainable since the plot which was to be given in exchange to the appellant did not belong to them, but did not disclose as to whom the said plot belonged. The appellant therefore served interrogatories on the State Government. In reply to the said interrogatories it was revealed in the affidavit filed by the State Government that the exchanged plot had been transferred to Thakur Harisingh of Achrol under the orders of the Home Minister, Government of India dated January 8, 1945 and that plot No. C/91 which belonged to the appellant was then in possession of the Raj Pramukh Maharaja Mansinghji of Jaipur. The appellant accordingly impleaded Thakur Harisingh of Achrol as a defendant in the suit and sought permission from the Central Government u/s 86 of the Civil Procedure Code, 1908 to join Maharaja Mansinghji of Jaipur as a party to the suit. Thakur Harisingh of Achrol being impleaded as a defendant in the suit filed his written statement and raised an objection that the valuation of the land in dispute was Rs. 40,000 and the Court of Civil Judge, Jaipur City had no jurisdiction to entertain the suit. That objection of his was sustained and the learned Civil Judge by his order dated October 15, 1955 returned the plaint for presentation to the proper Court.

3. It transpires that the Joint Secretary, Ministry of Home Affairs, Government of India addressed a letter dated January 3, 1956 to the late Shri Mohan Lai Sukhadia, the then Chief Minister of Rajasthan conveying that it was felt that the appellant had a case and should be given the exchanged plot and if that was not feasible, he should be restored to his original position and therefore could claim back possession of plot No. C/91. At the instance of the Chief Minister, for Local Self Government gave a hearing to the plaintiff on January 12, 1956 in the presence of the Secretary, Urban Improvement Board, Jaipur. On February 3, 1956, the Chief Minister addressed a letter to the Joint Secretary, Ministry of Home Affairs, conveying the anxiety of the State Government to settle the claim of the, appellant and intimated that the appellant had agreed to the appointment of D N. Gupta, Town Planning Officer as the assessor who had been asked to assess the value of the land and submit his report by February 20, 1956. He therefore requested the Government of India to defer its decision in fairness to the State Government for a couple of months as it was felt that it might be possible to settle the matter without any unreasonable delay.

4. The aforesaid assessor D.N. Gupta by his report (Exh. 5) dated February 21, 1956 put the valuation of the disputed land at measuring 5000 square yards @Rs. 7 per square yard amounting to Rs. 35,000 and to this he added Rs. 826.50p. as the cost of construction of a boundary wall i.e. Rs. 35,826,50p. in

all. There ensued a correspondence between the State Government and the appellant as regards the payment of compensation. It was felt by the State Government that the assessor had wrongly taken into consideration parta rates of the Municipal Committee, Jaipur which could not form any legal basis for assessing the value of the disputed land which admittedly was situate outside the walled city of Jaipur, nor could he have taken into consideration the rates for the sale of plots of commercial site at a distance from the disputed land. The State Government accordingly declined to pay Rs. 35,826.50p.

5. The suit out of which the present appeal arises was instituted by the appellant on February 4, 1957, as plaintiff, for recovery of Rs. 47,741.50p. i.e. Rs. 35,826.51p. as value of the disputed land in 1951 and Rs. 11,915 as interest at 6% per annum by way of damages. B The State Government contested the plaintiff's claim and pleaded inter alia that the State Government had never agreed that the assessment or valuation made by D.N. Gupta of the disputed land was to be final and binding on them; that there was an error of principle in the assessment or valuation made by him based as it was on the parta rates of the Municipal Committee, Jaipur which admittedly was not applicable to the disputed kind which was situate outside the walled city of Jaipur or the rate for the sale of plots of commercial site situate at a distance there from, and that since there was no sale of land in Scheme in the vicinity of the exchanged plot, the correct value thereof had to be assessed on the basis of the C Scheme rates and therefore the real market value of the disputed land admeasuring 5000 square yards on the basis of the full rate in Scheme of the Urban Improvement Board at Rs. 3.50p. per square yard must work out to Rs. 17,000 and nothing more. The learned Senior Civil Judge as well as the High Court have however decreed the plaintiff's claim in part for a sum of Rs. 17,500 with interest thereon@6% per annum from February 4, 1957, the date of institution of the suit, till realization on the ground that the State Government was not bound by the assessment made by D.N. Gupta based on parta rates of the Municipal Committee, Jaipur which were not applicable to lands situate outside the walled city of Jaipur and could not form any legal basis for valuation of the disputed land and therefore the State Government was not bound to pay Rs. 35,826.50p. as determined by him. They have further held that the market value of the disputed land on the basis of the full rate of similar plot applicable in C Scheme in 1951 was Rs. 3'50p. per square yard and therefore the plaintiff was entitled to recovery of Rs. 17,500 as the value thereof. The learned Subordinate Judge held that on the admission of the plaintiff himself as PW 6, and his two witnesses Parmanand, Secretary Urban Improvement Board, PW 3 and Shah Alamuddin, Deputy Minister, PW 5 it was clear that D.N. Gupta had been appointed merely to assess the value of the disputed land and that it was never agreed that whatever appraisement or valuation he may make would be binding on both the parties, nor did the Deputy Minister make any commitment on behalf of the State Government that whatever assessment D.N. Gupta would make would be binding on the State Government and that therefore the appraisement or valuation made

by D.N. Gupta in his report (Exh. 5) dated February 21, 1956 could not be treated as an 'admission of liability' u/s 20 of the Evidence Act on the part of the State Government. He further held that the correct value on the basis of the notification issued by the Urban Improvement Road clearly showed that the parta rate of the Municipal Committee, Jaipur was not applicable to the disputed land which was situate outside the old walled city of Jaipur and that the correct value thereof could be assessed on the bas is of C Scheme rate and therefore the value of the disputed land Rs. 17,500 The learned Judge however held that the plaintiff was entitled to receive damages by way of interest@ 6% per annum. On appeal the High Court held that the plaintiff had to prove that the State Government had agreed to be bound by the assessment made by D.N. Gupta before Section 20 of the Evidence Act could be attracted and that there was no evidence that the State Government had ever agreed to be bound by the said assessment. As regards, the letter addressed by the Chief Minister to the Joint Secretary, Ministry of Home Affairs, Government of India dated February 3, 1956, the High Court observed that the Chief Minister was not examined as a witness and when admittedly he was not present when the talk between the Deputy Minister for Local Self Government and the plaintiff took place, the latter would not necessarily lead to the inference that the Slate Government agreed to abide by the assessment made by D.N. Gupta. It accordingly affirmed the finding of the learned Subordinate Judge that the appraisement or valuation made by D.N. Gupta was not binding on the State Government and further that the disputed land was much inferior than land included in C Scheme and therefore the amount of Rs. 17,500 awarded by the learned Subordinate Judge was quite adequate. Following the decision of this Court in *Satinder Singh v. Amrao Singh* [1961] 1 S.C.C. 676 it held that the plaintiff was entitled to interest thereon at 6% per annum.

6. The main question raised is whether the report of the assessor (Exh. 5) was 'information' within the meaning of Section 20 of the Evidence Act and therefore considered to be an admission of the parties as to appraisement or valuation of the disputed land at Rs. 35,826.50p. and such an admission must operate as estoppel. Admissions may operate as estoppel and they do so where parties had agreed to abide by them. The word 'information' occurring in Section 20 is not to be understood in the sense that the parties desired to know something which none of them had any knowledge of. Where there is a dispute as regards a certain question and the Court is in need of information regarding the truth on that point, any statement which the referee may make is nevertheless information within the purview of Section 20. The contention on behalf of the State Government on the word 'information' occurring in this section is that the parties did not stand in need of obtaining any information from D.N. Gupta and that at any rate the State Government never agreed to abide by the valuation made by him and therefore they were not bound by the same inasmuch as the valuation made by him was not conclusive asto the value of the subject-matter as between the parties.

7. Section 20 of the Evidence Act reads as follows:

20. Admissions by persons expressly referred to by party to suit? Statements made by persons to whom a party to the suit has expressly referred for information in reference to a matter in dispute are admissions."

Illustration

The question is whether a horse sold by A to B is sound. A says to B? "Go and ask C, C knows all about it." C's statement is an admission.

Section 20 is the second exception to the general rule laid down in Section 18. It deals with one class of vicarious admission i.e. admissions of persons other than the party. Where a party refers to a third person for some information or an opinion on a matter in dispute, the statements made by the third person are receivable as admissions against the person referring. The reason is that when a party refers to another person for a statement of his views, the party approves of his utterance in anticipation and adopts that as his own.

8. The principle is the same as that of reference to arbitration. A position analogous to that of agency is created by the reference. The reference may be by express words or by conduct, but in any case there must be a clear intention to refer, and such admissions are generally conclusive. As Ellenbrough, L.C.J. said in *Williams v. Innesl Camp*. 364 from which the illustration is taken :

If a man refers another upon any particular business to a third person he is bound by what this third person says or does concerning it as much as if that had been said or done by himself." Sarkar on Evidence, 13th edn. p. 217.

9. There is nothing on record to show that the State Government ever agreed to abide by the valuation made by the assessor D.N. Gupta; on the contrary, the Secretary (Local Self Government) by his letter dated June 30, 1951 had conveyed to the appellant sanction for allotment of the exchanged plot admeasuring 5000 square yards on condition that the terms of allotment would be the same as in the case of the previous allotment, meaning thereby that the plaintiff would have to pay as per the rates fixed by the Government for the sale of plots in C Scheme.

10. The testimony of Shah Alimuddin, Deputy Minister for Local Self Government clearly shows that he gave a hearing to the appellant and had deputed D.N. Gupta, Town Planning Officer to assess the valuation of the disputed land but he did not make any commitment on behalf of the State Government that whatever assesment was made by him would be binding on the Government. This hearing was given by the Minister on January 12, 1956 at the instance of the Chief Minister at which Parmanand, the then Secretary, Urban Improvement Board was also present. As a result of this, D.N. Gupta was appointed to determine the market value of the disputed land by letter of the Secretary to the State Government, Local Self Government Department dated February 4, 1956 which was in these terms:

From

The Secretary to the Government of Rajasthan.

Shri D.N. Gupta through the Chief Engineer. B&R.,

P.W.D., Rajasthan, Jaipur.

No. F.I (K) (56) LSG/59 dated Jaipur the February 4, 1956.

Sub: Allotment of land to ShriHeeraChandKothari.

With reference to the above, I am directed to forward herewith a full history of the case and to say that the case was heard by the Deputy Minister for Local-Self-Government on 12.1.56. Shri Heera Chand Kothari and the Secretary, Urban Improvement Board, Jaipur, were present. Shri Kothari has agreed to accept the compensation of 5000 sq. yds. of land and to appoint you as assessor. I am, therefore, to request you kindly to assess the value of land (5000 sq. yds.) which is situated between the Railway Crossing and the bungalow of Maharani Sahib of Mysore on the date it was allotted to Shri Kothari and to send your report to this department by the 20 February, 1956.

Sd/- Secretary to the Government

As already stated, the assessor, D.N. Gupta submitted his report (Exh. 5) dated February 21, 1956 wherein he valued the land @ Rs. 7 per square yard, that is, at Rs. 35,000 and added the cost of construction of the boundary wall at Rs. 826.50p. totalling Rs. 35,826.50p. The State Government not being satisfied at the exorbitant value so determined were not prepared to accept the valuation made by the assessor D.N. Gupta. Accordingly, the Secretary (Local Self Government) by his letter dated March 14, 1956 asked him to explain the basis of valuation adopted by him. In reply thereto, D.N. Gupta by his letter dated March 19, 1956 disclosed that he had assessed the value of the disputed land, at the least possible price, taking the value of lands spread over between the years 1948 and 1955 and that he had adopted the parta rates of the Municipal Committee, Jaipur for determining the value of the disputed land.

11. While we feel that the High Court was not right in excluding from its consideration the Chief Minister's letter dated February 3, 1956 on the ground of want of proof, the document by itself does not substantiate the planitiff's claim that the parties had by mutual consent agreed to appoint DN. Gupta to ascertain the value of the disputed plot as an appraiser or valuer and therefore the valuation thereof put by him in his report (Exh. 5) dated February 21, 1956 at Rs. 35,826.50p. being based on an erroneous principle should be treated as 'information' within the terms of Section 20 of the Evidence Act, 1872 and therefore an admission which must operate as estoppel against the State Government. The High Court was therefore justified in upholding the judgment of the learned Subordinate Judge that the report of D.N. Gupta dated February 21, 1956 making an appraisement or valuation at Rs. 35,826.50p. could not be

treated as an admission u/s 20 of the Evidence Act on the basis of which the plaintiff's claim for damages had to be decreed.

12. Nevertheless, this Court as well as the High Court and the learned Subordinate Judge had ample power to reconstitute the plaintiff by granting him compensation for the value of property of which he had been deprived in the year 1951. As already stated, the value of the exchanged plot had to be determined in accordance with the terms of the letter dated June 30, 1951 addressed by the Secretary, (Local Self Government) to the appellant by which he conveyed the sanction of the State Government to allotment of the exchanged plot measuring 5,000 square yards on an application made by him to the Urban Improvement Board. The grant was subject to the condition that 'the terms of the allotment would be the same as in the case of the previous allotment' i.e. had to be valued as per the rates prescribed by the State Government for Improvement Trust plots in Scheme. The market value of live exchanged plot on the basis of full rate of similar plot situated outside the walled city of Jaipur abutting the main road applicable in C Scheme in 1951 was Rs. 3.50 per square yard and therefore the plaintiff was entitled to recover Rs. 17,500 upon that basis. Admittedly, the State Government had not fixed any parta rates for land situated outside the walled city of Jaipur. The testimony of Shiv Ram Jain, Secretary, Urban Improvement Board, Jaipur (DW 2) shows that the Maharani of Mysore was allotted a plot in the near vicinity of plot No. C/91 in C Scheme not as a concessional but on normal rate at Rs. 10,000 per acre. If that were to be the basis the appellant would be entitled to compensation at a much lesser rate.

13. The matter however does not end there. The transaction of exchange which fell through in 1951 was entered into before the formation of the State of Rajasthan. At that time, Jaipur was not the capital of the State, and there was no trend in rise of prices of land. Once it was known that Jaipur would be the capital, the value of land particularly in an exclusive area near and around the palatial bungalow of the Maharani of Mysore (which later became Raj Bhawan) which was extremely scarce, had naturally shot up. The land in dispute was situated near the railway station and which, according to the High Court, was lesser in value than land in C Scheme. Taking all these factors into consideration we think it just and proper to award the appellant a sum of Rs. 25,000 as compensation towards the value of the exchanged plot and to award him a reasonable rate of interest to offset the spiral rise of value of land in the city of Jaipur. We are clearly of the view that the plaintiff having been deprived of the property was entitled to a reasonable rate of interest on the amount found to be due to him. In somewhat similar circumstances the Court speaking through Gajendragadkar, J. in *Satinder Singh's case*, relied upon the speech of Viscount Cave, LC in *Swift & Co. v. Board of Trade* L.R. [1925] A. C. 520 and observed :

Stated broadly the act of taking possession of immovable property generally

implies an agreement to pay interest on the value of the property and it is on this principle that a claim for interest is made against the State. This question has been considered on several occasions and the general principle on which the contention is raised by the claimants has been upheld. In *Swift & Co. v. Board of Trade* (supra) it has been held by the House of Lords that on a contract for the sale and purchase of land it is the practice of the Court of Chancery to require the purchaser to pay interest on his purchase money from the date when he took, or might safely have taken, possession of the land.' This principle has been recognized ever since the decision in *Birch v. Joy* (1952) 3 HLC 565. In his speech, Viscount Cave, LC added that "this practice rests upon the view that the act of taking possession is an implied agreement to pay interest", and he points out that the said rule has been extended to cases of compulsory purchase under the Lands Clauses Consolidation Act, 1845. In this connection is drawn between acquisition or sales of land and acquisition of goods by the State. In regard to cases falling under the latter category this rule would not apply.

We are in respectful agreement with these observations. It was further held in *Amrao Singh's* case that the Court had ample power under proviso to Section 1 of the Interest Act, 1839 to award interest on equitable grounds. In all the facts and circumstances of the case, the reasonable rate of interest would be 6% per annum on the compensation amount of Rs. 25,000 from August 13, 1951, the date of dispossession till August 31, 1959, the date of judgment of the learned Subordinate Judge, and thereafter at 9% per annum thereon till realization. It more or less works out to Rs. 95,000 which is a multiple of 20 times the actual investment of the appellant in purchasing plot No. C/91 in C Scheme in the city of Jaipur.

14. The result therefore is that the appeal partly succeeds and is allowed with costs. The judgment and decree of the High Court and those of the learned Subordinate Judge are modified by decreeing the plaintiff's claim for compensation at Rs. 25,000 with interest as indicated above. The appellant will be entitled to recover and be liable to pay costs in proportion to success and failure.