

HIGH COURT OF UTTARAKHAND AT NAINITAL

Appeal From Order No. 600 of 2012

The Oriental Insurance Company LimitedAppellant

Versus

M/s Vigyan Chemical IndustriesRespondent

Presence:-

Mr. I.P. Kohli, Advocate for the appellant.

Mr. S.K. Jain, Senior Advocate assisted by Mr. Siddharth Jain,
Advocate for the respondent.

JUDGMENT

Hon'ble Ravindra Maithani, J. (Oral)

Instant appeal is preferred under Section 37(1)(c) of the Arbitration and Conciliation Act, 1996 ("the AC Act, 1996") against the judgment and order dated 21.08.2012, passed in Arbitration Suit No.118 of 2003, Oriental Insurance Company Limited Vs. M/s Vigyan Chemicals Industries, by the court of District Judge, Dehradun ("the arbitration suit"). By it an application under Section 34 of the AC Act, 1996 filed by the appellant has been dismissed.

2. Heard learned counsel for the parties and perused the record.

3. The respondent insured a car bearing Registration No. UP07 4029 ("the car") with the appellant for Rs.1,79,000/- including stereo. The appellant also received premium. In the night of 07.07.1995, the car was stolen along with the stereo of which a report was lodged to the police. The respondent claimed the

insurance amount. The appellant accepted the claim for Rs.1,45,000/-, but thereafter, the respondent made a claim for the remaining amount. When the amount was not paid, the respondent's referred the matter to the sole Arbitrator. The Arbitral Tribunal ("the AT") awarded Rs.34,000/- along with interest @ 18% per annum from 19.02.1997 to 12.08.2003 and directed the appellant to pay this amount to the respondent. The cost of arbitration, stamp paper, etc. were also imposed upon the appellant making a total liability of Rs.86,849/-. The award also provided that the interest @ 18% shall carry till payment is made. The appellant filed an application under Section 34 of the AC Act, 1996 for setting aside the award, which was rejected on 21.08.2012 by the impugned judgment. The court held that Section 31(7) of the AC Act, 1996 empowers the Arbitrator to award interest. Therefore, no interference is warranted.

4. Learned counsel for the appellant would submit that the impugned judgment is bad because the award has been given *de hors* the provisions of the AC Act, 1996. He would submit that under Section 31(7) the rate of interest would be 2% higher than the current rate of interest prevalent on the date of award, which it is argued, comes to 9% (7% rate of interest from Terms Deposit and 2% in addition as per Section 31(7)(b) of the AC Act, 1996).

5. Learned counsel for the appellant also submits that the respondent had already received Rs.1,45,000/- against the claim as full and final payment of their claim. Now, they could not have agitated the matter before the Arbitrator.

6. Learned Counsel for the respondent submits that the scope under Section 37 of the AC Act, 1996 is quite restricted. He has referred to the principle of law as laid down by the Hon'ble Supreme Court in the case of Jan De Nul Dredging India Pvt. Ltd. Vs. Tuticorin Port Trust, AIR 2026 SC 536.

7. In the case of Jan De Nul Dredging India Pvt. Ltd. (*Supra*), the Hon'ble Supreme Court discussed the scope of interference of the Court under Section 34 and 37 of the AC Act, 1996 and observed as follows:-

“37. In other words, the scope of interference of the court with the arbitral matters is virtually prohibited, if not absolutely barred. The powers of the appellate court are even more restricted than the powers conferred by Section 34 of the Act. The appellate power under Section 37 of the Act is exercisable only to find out if the court exercising power under Section 34 of the Act, has acted within its limits as prescribed thereunder or has exceeded or failed to exercise the power so conferred. The appellate court exercising powers under Section 37 of the Act has no authority of law to consider the matter in dispute before the Arbitral Tribunal on merits so as to hold as to whether the award of the Arbitral Tribunal is right or wrong. The appellate court in exercise of such power cannot sit as an ordinary court of appeal and reappraise the evidence to record a contrary finding. The award of the Arbitral Tribunal cannot be touched by the court unless it is contrary to the substantive provision of law or any provision of the Act or the terms of the agreement.”

8. Learned counsel for the respondent also submits that under Section 31(7) of the AC Act, 1996 the AT is competent to award interest at such rate as it deems reasonable. He argued that as such interest has been paid and this discretion of the AT may not be subject to scrutiny in the appeal under Section 37 of the AC Act, 1996. It is also argued that although the respondent did receive Rs.1,45,000/- against their claim, but he would submit that

on a doted receipt the respondent was made to sign, therefore, it may not be read against the respondent. The respondent may not be excluded from agitating the remaining claim before the Arbitrator, which he did and, accordingly and rightfully the award has been given.

9. Undoubtedly, the scope of appeal under Section 37 of the AC Act, 1996 is quite restricted. In this jurisdiction, the court may not sit as a court of appeal; may not appreciate the evidence and if, two views are possible, the court is restrained to substitute its own view to the view of the Arbitrator. Within the parameter of Section 34, an application under Section 34 is considered. There also, the scope is quite restricted.

10. Section 31(7) of the AC Act, 1996 is as below:-

“31. Form and contents of arbitral award.—.....
.....
.....
(7)(a) Unless otherwise agreed by the parties, where and in so far as an arbitral award is for the payment of money, the arbitral tribunal may include in the sum for which the award is made interest, at such rate as it deems reasonable, on the whole or any part of the money, for the whole or any part of the period between the date on which the cause of action arose and the date on which the award is made.
(b) A sum directed to be paid by an arbitral award shall, unless the award otherwise directs, carry interest at the rate of two per cent higher than the current rate of interest prevalent on the date of award, from the date of award to the date of payment.
Explanation.—The expression “current rate of interest” shall have the same meaning as assigned to it under clause (b) of Section 2 of the Interest Act, 1978 (14 of 1978).”

11. A bare perusal of the above provision makes it abundantly clear that Section 31(7)(a) of the AC Act, 1996

empowers the AT to award interest at such rate as the AT deems reasonable.

12. Section 31(7)(b) qualifies that unless the award otherwise directs, the amount of arbitral award shall carry interest @ 2% higher than the current rate of interest prevalent on the date of award. Sub Section 31(7)(b) would come into play when the AT had not awarded any interest.

13. The AT has discussed the factum of interest and after making discussion in exercise of jurisdiction vested in it under Section 31(7)(a) of the AC Act, 1996 awarded interest. The Court in a proceeding under Section 34 of the AC Act, 1996 could not have interfered with it and that is what has been done by the impugned judgment and order. Even this Court may not make any interference in the award in the instant appeal on this aspect.

14. An argument has been made that the respondent had already accepted Rs.1,45,000/- against the claim as a full and final payment. What is argued by the respondent is that the receipt was provided by the appellant and the respondent was made to sign on a dotted lines. This fact is not disputed by learned counsel for the appellant. It is not disputed that the appellant had made claim for Rs.1,79,000/-. When he was not given the entire claimed amount, he referred to the matter to the Arbitrator. It cannot be said that under such facts and circumstances the respondent was precluded or estopped from referring the matter to the Arbitrator. The Arbitrator has decided the matter in accordance with law. This Court is of the view that there is no reason to make any

interference in the instant appeal. Accordingly, the appeal deserves to be dismissed.

15. The appeal is dismissed.

(Ravindra Maithani, J.)
18.06.2026

Sanjay