



2026:DHC:8629-DB



\$~

* IN THE HIGH COURT OF DELHI AT NEW DELHI

%

*Judgment reserved on: 23.09.2026**Judgment pronounced on: 05.10.2026**Judgment uploaded on: 05.10.2026*

CNR No. DLHC010079682026

+ FAO(COMM) 64/2026 & CM APPL. 14176/2026

SHRI KRISHAN BALDEV BANSALAppellant

Through: Mr. Satish Sahai and Ms.
Malaika Farhat, Advs.

versus

BALBIR SINGH TYAGI & ORS.Respondents

Through: Mr. Deepak R. Dahiya, Adv.
for R-1 and R-2.**CORAM:****HON'BLE MR. JUSTICE ANIL KSHETARPAL****HON'BLE MR. JUSTICE BHARAT PARASHAR****J U D G M E N T****ANIL KSHETARPAL, J.:**

1. Through the present Appeal, the Appellant, who was Respondent No.3 before the learned Sole Arbitrator, assails the order dated 28.11.2025 ['Impugned Order'] passed by the learned District Judge in OMP (COMM.) No.25/2024 titled **Balbir Singh Tyagi v. Yogesh Bansal**. By the Impugned Order, the learned District Judge has set aside the arbitral award dated 23.12.2023 passed by the learned Sole Arbitrator. The Appellant seeks setting aside of the Impugned Order and restoration of the arbitral award insofar as it awards to him the amount paid by him towards discharge of the liability of the partnership firm to Union Bank of India, together with interest.

Signature Not Verified

Signed By: JAI
NARAYAN
Signing Date: 05.10.2026
11:04:36

FAO(COMM) 64/2026

Page 1 of 28



2026:DHC:8629-DB



2. The issue which arises for consideration in the present Appeal is whether the learned District Judge was justified in setting aside the arbitral award dated 23.12.2023 on the ground that the learned Sole Arbitrator had adjudicated only the claim of the Appellant arising out of the payment made by him towards the liability of the partnership firm to Union Bank of India, notwithstanding the statement made by the parties before the learned Arbitrator on 11.12.2023 that the award may be passed only in respect of the said claim. A further question which arises is whether the claim of the Appellant for reimbursement of the amount paid by him towards the liability of the partnership firm was beyond the scope of the arbitration agreement merely because the Appellant had also stood as a guarantor for the cash-credit facility availed by the firm.

FACTUAL MATRIX:

3. In order to appreciate the controversy involved in the present Appeal, the relevant facts, in brief, are required to be noticed.

4. On 15.09.2004, Respondent No.3, Sh. Yogesh Bansal, and Respondent No.1, Sh. Balbir Singh Tyagi, entered into a partnership for carrying on the business of retailing electronic goods under the name and style of M/s Nova Electro World (Respondent No.4 herein). Respondent No.1 joined his wife, Respondent No.2, Smt. Mithlesh Tyagi, as a sleeping partner, while Respondent No.3 joined his father, the present Appellant, Sh. Krishan Baldev Bansal, as a partner. Under the partnership arrangement, Respondent No.1 and Respondent No.2 together held 55% share, whereas Respondent No.3 and the Appellant together held 45% share in the partnership firm.

Signature Not Verified

Signed By: JAI
NARAYAN
Signing Date: 05.10.2026
11:04:36

FAO(COMM) 64/2026

Page 2 of 28



2026:DHC:8629-DB



5. For carrying on the business of the partnership firm, the partners took on rent premises bearing No.28-B, Block-A, Defence Enclave, Madhu Vihar, opposite Hind Apartment, Sector-5, Dwarka, New Delhi, at a monthly rent of Rs.10,000/-. The said premises were jointly owned in equal shares by Respondent No.3 and Respondent No.1. The partnership firm continued its business until September 2006. While Respondent No.3 subsequently asserted that the firm was mutually decided to be dissolved in September 2006, disputes arose between the parties concerning the dissolution of the firm, rendition of accounts and settlement of the respective claims of the partners.

5. It is relevant to note that, during the subsistence of the partnership, the firm availed a cash-credit facility of Rs.25,00,000/- from the Union Bank of India, Janakpuri Branch. The present Appellant, who was one of the partners of the firm, also stood as a guarantor in respect of the said facility and, in that capacity, had furnished security in respect of his property. According to the Appellant, the liability arising from the said facility was a liability of the partnership firm and not a personal liability incurred by him for his own benefit.

6. The said cash-credit facility was not duly discharged by the partnership firm. The material placed before the learned Sole Arbitrator disclosed that an amount of approximately Rs.23.76 lakh was outstanding towards the said facility. The Appellant received a notice from the Bank in relation to the outstanding liability and, thereafter, deposited a sum of Rs.23,90,000/- from his own funds towards the settlement of the Bank's claim. The payment was made by

Signature Not Verified

Signed By: JAI
NARAYAN
Signing Date: 05.10.2026
11:04:36

FAO(COMM) 64/2026

Page 3 of 28



2026:DHC:8629-DB



the Appellant in full and final settlement of the outstanding liability, and a settlement certificate dated 28.04.2008 was also issued by the Bank. The Appellant's case was that, having discharged a liability which was otherwise that of the partnership firm, he was entitled to recover from the other partners their respective shares in the amount so paid by him.

7. The Appellant accordingly raised a claim before the learned Sole Arbitrator in respect of the amount paid by him to the Bank. While computing the amount recoverable from the other partners, the Appellant deducted his own share of 10% from the amount of Rs.23,90,000/- paid by him. The amount remaining thereafter was Rs.21,51,000/-, which, according to the Appellant, was liable to be contributed by the remaining partners in accordance with their respective shares in the partnership.

8. The claim relating to the Bank liability was specifically contested by Respondent Nos.1 and 2. However, in their written statement, Respondent Nos.1 and 2 did not dispute that the partnership firm had availed the loan/cash-credit facility from Union Bank of India or that the Appellant, who had stood as guarantor, had made the payment towards the outstanding liability. Their defence, as recorded in the arbitral proceedings, was essentially that the payment made by the Appellant was subject to the final settlement of the accounts of the partnership firm and that the Appellant could not independently seek recovery of the amount without an appropriate determination of the accounts and liabilities of the firm.

9. During the arbitral proceedings, the Appellant was also cross-

Signature Not Verified

Signed By: JAI
NARAYAN
Signing Date: 05.10.2026
11:04:36

FAO(COMM) 64/2026

Page 4 of 28



2026:DHC:8629-DB



examined in relation to the payment made by him to the Bank. He stated, *inter alia*, that he had not consulted the other partners before depositing the amount of Rs.23,90,000/- with the Bank and that he had thereafter raised his claim for recovery of the amount from the other partners. It was also brought out in his cross-examination that he had not instituted separate proceedings for recovery of the said amount.

10. Respondent No.1, Sh. Balbir Singh Tyagi, who entered the witness box as RW-1, also admitted during cross-examination that the firm had availed an overdraft/cash-credit facility of Rs.25,00,000/- from Union Bank of India, that the Appellant had stood as guarantor in respect thereof and that neither he nor his wife had made payment towards the said liability. He was also questioned regarding the payment stated to have been made by the Appellant towards discharge of the Bank's claim. Thus, the question whether the partnership firm had incurred the Bank liability and whether the Appellant had made payment towards the same formed part of the evidence led before the learned Sole Arbitrator.

11. The learned Sole Arbitrator considered the pleadings, affidavits and the evidence, including the cross-examination of the parties, and recorded a finding that the partnership firm had availed the cash-credit facility, that the Bank had raised a demand in respect of the outstanding amount, and that the Appellant had deposited the amount from his own funds towards discharge of the said liability. The learned Sole Arbitrator further found that the payment was not made for any personal benefit of the Appellant and that no part of the amount paid



2026:DHC:8629-DB



by him had thereafter been returned to him.

12. The maintainability of the Appellant's claim was, however, questioned by Respondent No.1 at a later stage of the proceedings. The objection was that, since the Appellant had made the payment in his capacity as a guarantor, he ought to have instituted separate proceedings for recovery of the amount and that the claim could not be adjudicated in the arbitration proceedings. The learned Sole Arbitrator rejected the said objection, principally noticing that no such objection had been taken in the written statement filed by Respondent No.1. The learned Sole Arbitrator also considered the judgment of the Supreme Court in **S.N. Prasad v. Monnet Finance Ltd. & Ors.**, Civil Appeal No.9224/2010, decided on 22.10.2020, and distinguished the same on the ground that the factual situation in the present case concerned a partner who had made payment towards the liability of the partnership firm, whereas the decision relied upon by Respondent No.1 arose in the context of a loan agreement containing an arbitration clause.

13. It is significant for the controversy before this Court that, on 11.12.2023, the parties and their respective counsel made a statement before the learned Sole Arbitrator that the award may be passed only in respect of the claim raised by Respondent No.3, i.e. the present Appellant, concerning the loan amount paid by him to the Bank as guarantor. The learned Sole Arbitrator recorded the said statement and proceeded on the basis that the other claims raised by the parties were not required to be adjudicated in view of the said understanding.

14. The aforesaid course of proceedings assumes significance

Signature Not Verified

Signed By: JAI
NARAYAN
Signing Date: 05.10.2026
11:04:36

FAO(COMM) 64/2026

Page 6 of 28



2026:DHC:8629-DB



because the arbitral proceedings had otherwise involved claims and counterclaims relating to the dissolution of the partnership, rendition of accounts, goodwill, the partnership premises and other alleged liabilities between the parties. Respondent Nos.1 and 2 had, in their pleadings, also raised a counterclaim seeking, inter alia, a declaration regarding the dissolution of the firm, damages towards alleged loss of goodwill, relief concerning the tenancy of the premises, and production and settlement of the accounts of the partnership firm. However, in view of the statement recorded on 11.12.2023, the learned Sole Arbitrator proceeded to adjudicate only the claim of the present Appellant concerning the amount paid by him towards the Bank liability.

15. The learned Sole Arbitrator also noticed that no separate formal issue had been framed in relation to the claim of the present Appellant concerning the Bank payment. Nevertheless, the learned Sole Arbitrator declined to defer the proceedings for framing such an issue. The reason recorded was that the claim had been raised before the learned Sole Arbitrator, the parties and their counsel were fully aware of the claim and had participated in the proceedings in relation thereto, and no prejudice would be caused to any party by adjudication of the said claim. The learned Sole Arbitrator also took note of the considerable passage of time since the commencement of the arbitral proceedings.

16. By the arbitral award dated 23.12.2023, the learned Sole Arbitrator accordingly confined the adjudication to the Appellant's claim arising from the payment made by him to Union Bank of India.



2026:DHC:8629-DB



Upon taking the amount of Rs.23,90,000/- paid by the Appellant as the starting point and deducting the Appellant's own 10% share amounting to Rs.2,39,000/-, the learned Sole Arbitrator determined the amount recoverable from the other partners at Rs.21,51,000/-.

17. The learned Sole Arbitrator thereafter apportioned the said amount amongst the remaining partners in accordance with the respective shares attributed to them in the partnership. An amount of Rs.2,39,000/- was determined against Respondent No.1, Sh. Balbir Singh Tyagi, an amount of Rs.10,75,500/- against Respondent No.2, Smt. Mithlesh Tyagi, and an amount of Rs.8,36,500/- against Respondent No.3, Sh. Yogesh Bansal. The learned Sole Arbitrator further awarded interest at the rate of 18% per annum on the said amounts with effect from 28.04.2008, i.e. the date on which the payment was made by the Appellant, until payment.

18. The aforesaid arbitral award was thereafter challenged under Section 34 of the Arbitration and Conciliation Act, 1996 ['Arbitration Act'] by Respondent Nos.1 and 2, Balbir Singh Tyagi and Mithlesh Tyagi, before the learned District Judge in OMP (COMM.) No.25/2024. By the Impugned Order dated 28.11.2025, the learned District Judge set aside the arbitral award, principally on the grounds that the learned Sole Arbitrator had failed to adjudicate the other reliefs forming part of the claim of the Appellant and that the claim relating to the amount paid to Union Bank of India was beyond the scope of the arbitration.

19. The Appellant, who was Respondent No.3 before the learned Sole Arbitrator and in whose favour the monetary relief in respect of

Signature Not Verified

Signed By: JAI
NARAYAN
Signing Date: 05.10.2026
11:04:36

FAO(COMM) 64/2026

Page 8 of 28



2026:DHC:8629-DB



the Bank payment had been granted, is aggrieved by the aforesaid order and has accordingly preferred the present Appeal.

20. The challenge in the present Appeal is, therefore, required to be examined against the specific backdrop in which the arbitral award came to be rendered. The learned Sole Arbitrator did not adjudicate upon the entirety of the disputes which had originally formed part of the pleadings. Rather, the learned Sole Arbitrator proceeded to adjudicate the Appellant's claim concerning the payment made to Union Bank of India after recording the statement of the parties and their counsel dated 11.12.2023 that the award may be passed only in respect of that claim. The legality of that course, as well as the character and arbitrability of the Appellant's claim, constitute the central questions arising in the present Appeal.

CONTENTIONS OF THE PARTIES:

21. Contentions on behalf of the Appellant:

21.1 It was submitted that the learned District Judge erred in proceeding on the premise that the learned Sole Arbitrator was required to adjudicate all the reliefs originally forming part of the Appellant's counterclaim. It was submitted that, on 11.12.2023, the parties, in the presence of their respective counsel, submitted before the learned Sole Arbitrator that the award may be passed only on the claim made by Respondent No.3, i.e. the present Appellant. The said submission was duly recorded in the contemporaneous order-sheet and was not thereafter withdrawn or modified.

21.2 It was submitted that paragraph 55 of the arbitral award merely

Signature Not Verified

Signed By: JAI
NARAYAN
Signing Date: 05.10.2026
11:04:36

FAO(COMM) 64/2026

Page 9 of 28



2026:DHC:8629-DB



recorded the understanding arrived at on 11.12.2023, namely, that the award would be confined to the Appellant's claim concerning the amount paid by him to the Bank, and that the other claims were not required to be adjudicated. It was contended that the learned District Judge erred in giving the expression "claim made by respondent No.3" a meaning wider than that intended by the parties and recorded by the learned Sole Arbitrator.

21.3 It was further submitted that the reliance placed upon Order XIV Rule 2 of the Code of Civil Procedure, 1908, was misplaced, since the present case arose in arbitration and the scope of adjudication had been specifically narrowed by the parties themselves during the arbitral proceedings. Once the parties agreed to confine the award to the claim which remained pressed, the mere fact that the original counterclaim contained other reliefs could not invalidate the award.

21.4 On the question of arbitrability, it was submitted that the claim of Rs.21,51,000/- was not a personal claim arising out of the Appellant's relationship with the Bank, but represented the amount paid by him towards the liability of the partnership firm. Reliance was placed on the Settlement Certificate dated 28.04.2008, which records that the account was in the name of M/s Nova Electro World and that the Appellant, described as a partner and guarantor, had paid Rs.23,90,000/- towards full and final settlement of the dues of the firm.

21.5 It was submitted that the Appellant had claimed only the amount attributable to the other partners after deducting his own 10%

Signature Not Verified

Signed By: JAI
NARAYAN
Signing Date: 05.10.2026
11:04:36

FAO(COMM) 64/2026

Page 10 of 28



2026:DHC:8629-DB



share of Rs.2,39,000/-, and that the learned Sole Arbitrator had apportioned the balance amongst the other partners in accordance with their respective partnership shares. The claim, therefore, according to the Appellant, concerned the inter se adjustment of the firm's liability and fell within the disputes contemplated by Clause 15 of the Partnership Deed.

21.6 It was further submitted that the learned Sole Arbitrator had considered the evidence on record, including the fact that the firm had availed the cash-credit facility and that the Appellant had made the payment from his own funds. It was pointed out that Respondent No.1 had also admitted the relevant facts in cross-examination. The learned District Judge, it was contended, could not substitute his own appreciation of the evidence for the findings recorded by the learned Sole Arbitrator.

21.7 It was lastly submitted that the learned Sole Arbitrator had in fact considered the objection regarding arbitrability, noticed that the objection had not been raised in the written statement, and considered and distinguished **Monnet Finance** (supra). The Appellant accordingly submitted that neither of the grounds relied upon in the Impugned Order warranted interference with the arbitral award.

22. Contentions on behalf of the Respondent Nos. 1 and 2:

22.1 *Per contra*, it was submitted that the proceeding sheet dated 11.12.2023 merely recorded that the award may be passed on the “claim made by respondent No.3” and did not record any agreement to adjudicate only the claim relating to the Bank payment.

Signature Not Verified

Signed By: JAI
NARAYAN
Signing Date: 05.10.2026
11:04:36

FAO(COMM) 64/2026

Page 11 of 28



2026:DHC:8629-DB



22.2 It was submitted that the Appellant's counterclaim comprised several reliefs, including dissolution of the partnership, rendition of accounts and monetary claims under different heads. According to the respondents, once the proceedings were confined to the Appellant's claim, the learned Sole Arbitrator was required to adjudicate the entirety of the claim and could not select one monetary component while leaving the remaining reliefs unanswered.

22.3 It was contended that paragraph 55 of the arbitral award could not enlarge or modify the contemporaneous order-sheet and that, if the remaining reliefs were intended to be abandoned or not pressed, an appropriate statement or application ought to have been placed on record.

22.4 On arbitrability, it was submitted that the claim of Rs.21,51,000/- arose from the Appellant's independent relationship with the Bank as guarantor and was not a dispute contemplated by the arbitration clause in the Partnership Deed. It was pointed out that the Appellant had admitted that he had not consulted the other partners before making the payment and that there was no document evidencing authorisation by the firm for such payment.

22.5 It was further submitted that the learned Sole Arbitrator had not properly adjudicated the objection regarding arbitrability and that the objection could not have been rejected merely because it was not raised in the written statement. According to the respondents, the learned Sole Arbitrator had thus adjudicated a claim outside the scope of the arbitration while leaving the principal disputes concerning dissolution and accounts undecided.

Signature Not Verified

Signed By: JAI
NARAYAN
Signing Date: 05.10.2026
11:04:36

FAO(COMM) 64/2026

Page 12 of 28



2026:DHC:8629-DB



ANALYSIS & FINDINGS:

23. This Court has carefully considered the submissions advanced on behalf of the parties and perused the material on record.

24. The controversy before this Court essentially has two distinct facets. The first concerns the scope of the adjudication which remained before the learned Sole Arbitrator after the statement recorded on 11.12.2023. The second concerns the nature of the claim relating to the payment made by the Appellant to Union Bank of India and whether such claim could be adjudicated in the arbitration between the partners. The two questions need to be examined separately.

A. Scope of adjudication after the proceedings dated 11.12.2023:

25. The starting point for examining the first issue must necessarily be the order-sheet dated 11.12.2023, which is reproduced as under:

“ORDER
11.12.2023

Present:- Sh. Satish Sahay Ld. Counsel for claimant alongwith sh. Yogesh Bansal claimant in person

Sh. Deepak Dahiya Ld Counsel for Respondent No. 1 & 2 alongwith Sh. B. S. Tyagi, respondent No. 1 in person.

Arguments heard again from both Ld. counsels. It is submitted by parties that award may be passed only on the claim made by respondent No. 3.

To come on 23.12.2023 for passing award.”

26. The learned District Judge has also noticed the aforesaid order-sheet. The disagreement essentially arises with respect to the meaning to be attributed to the expression “*claim made by respondent No.3*”.



2026:DHC:8629-DB



According to the learned District Judge, the expression necessarily encompassed all the reliefs forming part of the Appellant's counterclaim. According to the Appellant, the parties intended that only the particular claim concerning the amount paid by him to the Bank should be adjudicated.

27. At this stage, it would be useful to notice the manner in which the learned Sole Arbitrator understood the aforesaid statement. In paragraph 55 of the arbitral award, the learned Sole Arbitrator recorded that, on 11.12.2023, the parties as well as their learned counsel had submitted that the award may be passed only on the claim made by Respondent No.3 *"regarding loan amount paid by him to bank being its guarantor"*. The learned Sole Arbitrator further recorded that the other claims made by the parties need not be discussed and decided in view of the statement made by all the parties.

28. Thus, there is no dispute that the learned Sole Arbitrator did not adjudicate the entirety of the claims originally pleaded by the parties. The question is whether, in the circumstances in which the proceedings stood on 11.12.2023, such non-adjudication constituted a failure on the part of the learned Sole Arbitrator to exercise the jurisdiction vested in him.

29. In this Court's view, the answer to this question has to be determined from the proceedings as they actually unfolded before the learned Sole Arbitrator. The order-sheet dated 11.12.2023 is a contemporaneous record of the proceedings. It records a submission made by the parties after arguments had been heard. Significantly, the order-sheet does not record that the award was to be passed on all the

Signature Not Verified

Signed By: JAI
NARAYAN
Signing Date: 05.10.2026
11:04:36

FAO(COMM) 64/2026

Page 14 of 28



2026:DHC:8629-DB



reliefs contained in the counterclaim of Respondent No.3. It records only that the award may be passed on the claim made by Respondent No.3.

30. The subsequent description contained in paragraph 55 of the arbitral award assumes significance in this context. The learned Sole Arbitrator did not merely state that he was unilaterally choosing to adjudicate one component of the Appellant's counterclaim. He recorded that the parties and their counsel had made a submission on 11.12.2023 and identified the claim to be adjudicated as the claim concerning the amount paid by Respondent No.3 to the Bank as guarantor. The Impugned Order does not identify any contemporaneous statement, application or other material placed before the learned Sole Arbitrator which demonstrates that this understanding recorded in the award was contrary to the position taken by the parties on 11.12.2023.

31. The learned District Judge has principally faulted the learned Sole Arbitrator for not obtaining a separate application or statement on oath from the parties recording that only one particular relief was to be adjudicated. In this Court's view, the absence of such a separate document cannot, by itself, efface the statement actually recorded in the contemporaneous proceedings dated 11.12.2023. The arbitration proceedings are to be examined on the basis of the record of the proceedings and the conduct of the parties before the Tribunal. The order-sheet records the submission of the parties; paragraph 55 of the award explains the understanding of that submission; and the award thereafter confines itself to the claim so identified.



2026:DHC:8629-DB



32. The learned District Judge has also relied upon the general principle underlying Order XIV Rule 2 of the Code of Civil Procedure, 1908, and has observed that, although the provision may not have direct application, a Court is required to pronounce judgment upon the issues arising before it. There can be no quarrel with the general proposition that an adjudicating authority ordinarily ought to decide the disputes which remain for its determination. However, the present case has to be considered in the context of the specific course adopted by the parties themselves at the conclusion of the arbitral proceedings.

33. The material question, therefore, is not whether an arbitrator can ordinarily leave a relief unanswered. The material question is whether the reliefs which were not adjudicated continued to remain for determination after the parties made the statement recorded on 11.12.2023. If, pursuant to the statement of the parties, the scope of adjudication stood confined to the claim of Respondent No.3 concerning the amount paid towards the Bank liability, the learned Sole Arbitrator could not be faulted merely because the original pleadings contained additional reliefs which were no longer required to be adjudicated.

34. In this regard, it is also relevant that the arbitral proceedings had continued for a considerable period and that the learned Sole Arbitrator had already recorded evidence in relation to the Bank payment. The learned Sole Arbitrator, in the award, also noted that the other claims made by the parties were not required to be discussed and decided in view of the statement made on 11.12.2023. Thus, the



2026:DHC:8629-DB



course adopted by the learned Sole Arbitrator was not one of declining to exercise jurisdiction over a live claim; rather, it was based upon the understanding that the parties had confined the adjudication to a particular claim.

35. The reliance placed in the Impugned Order upon the principle that all issues arising before an adjudicating authority ought to be decided, therefore, does not address the precise controversy. The question whether an issue was required to be decided necessarily depends upon whether it remained a live issue for adjudication at the stage when the award was rendered. In the present case, the contemporaneous order-sheet dated 11.12.2023 and the corresponding finding recorded by the learned Sole Arbitrator in paragraph 55 of the award show that the parties had agreed to proceed only with the claim of Respondent No.3 which was ultimately adjudicated.

36. This Court is, therefore, unable to sustain the finding of the learned District Judge that the learned Sole Arbitrator committed a jurisdictional error merely by not adjudicating the other reliefs forming part of the Appellant's original counterclaim. The Impugned Order proceeds on the assumption that the statement dated 11.12.2023 required adjudication of every relief claimed by Respondent No.3. Such an assumption does not sufficiently account for the contemporaneous record of the proceedings and, in particular, the manner in which the learned Sole Arbitrator understood and acted upon the statement of the parties.

37. This, however, does not conclude the matter. Even if the parties had confined the adjudication to the Appellant's claim concerning the

Signature Not Verified

Signed By: JAI
NARAYAN
Signing Date: 05.10.2026
11:04:36

FAO(COMM) 64/2026

Page 17 of 28



2026:DHC:8629-DB



Bank payment, it would still be necessary to examine whether the said claim was within the scope of the arbitration agreement and could validly have been adjudicated by the learned Sole Arbitrator. It is this question which falls for consideration next.

B. Whether the claim relating to the amount paid to Union Bank of India was within the scope of the arbitration?

38. The second issue concerns the nature of the claim which was ultimately adjudicated by the learned Sole Arbitrator. The learned District Judge proceeded on the basis that the claim of Rs.21,51,000/- was a personal claim of the Appellant arising out of his independent relationship with Union Bank of India as a guarantor and, therefore, fell outside the scope of the arbitration agreement contained in the Partnership Deed. The learned District Judge further observed that the payment had been made by the Appellant to protect the property furnished by him as security and that there was no document showing that the partnership firm had authorised him to make the payment on its behalf.

39. in order to examine the aforesaid conclusion, it is necessary to keep in view the nature of the underlying liability as well as the nature of the relief actually granted by the learned Sole Arbitrator. The Settlement Certificate dated 28.04.2008 issued by Union Bank of India records that the account in question was in the name of M/s Nova Electro World and that the Bank had initiated recovery proceedings under Section 13(2) of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 against the borrower and the guarantors. The



2026:DHC:8629-DB



certificate thereafter specifically records that the Appellant, described as “*one of the partners and guarantors of the account*”, had paid Rs.23,90,000/- towards “full and final settlement of the dues of the above firm”.

40. The description contained in the Settlement Certificate is of considerable significance. The document does not describe the payment as being towards a personal borrowing of the Appellant. On the contrary, the account was that of M/s Nova Electro World and the payment was made towards settlement of the dues of the said firm. The fact that the Appellant was also a guarantor explains the capacity in which the Bank was entitled to proceed against him. It does not, by itself, determine the character of the subsequent claim raised by the Appellant against his co-partners.

41. The distinction between the two relationships is material. The relationship between the Bank and the Appellant arose from the guarantee furnished by the Appellant in respect of the cash-credit facility. The claim which came to be adjudicated by the learned Sole Arbitrator, however, was not a claim by the Appellant against the Bank, nor was it a claim for any relief concerning the guarantee itself. The claim was made by one partner against the other partners in respect of the amount which he asserted had been paid by him towards discharge of the liability of the partnership firm.

42. The manner in which the learned Sole Arbitrator quantified the claim further demonstrates the nature in which it was presented and adjudicated. The Appellant had paid Rs.23,90,000/- to the Bank. He did not seek recovery of the entire amount from the other partners. His



2026:DHC:8629-DB



own 10% share, amounting to Rs.2,39,000/-, was first deducted. The balance amount of Rs.21,51,000/- was thereafter apportioned amongst the remaining partners in accordance with their respective shares in the partnership.

43. Thus, the learned Sole Arbitrator did not proceed on the basis that the Appellant had acquired an independent debt against the other partners merely because the Bank had recovered money from him as a guarantor. The adjudication proceeded on the basis that the amount paid by the Appellant represented discharge of a liability of the partnership firm and that, after accounting for the Appellant's own share, the remaining partners were liable to bear the balance in accordance with their respective interests in the partnership.

44. This aspect assumes further significance in view of the Partnership Deed dated 15.09.2004. Clause 15 thereof provides that disputes "*in regard to the clause of this partnership deed or books of accounts*" shall be referred to arbitration, with the award being final, conclusive and binding upon the parties. The present claim arose in the context of the liability of the partnership firm, the payment made towards such liability by one of the partners and the consequential adjustment of the respective shares of the partners. The claim was thus placed before the learned Sole Arbitrator as part of the inter se dispute concerning the financial liabilities of the partnership.

45. The learned District Judge has principally proceeded on the footing that since the Appellant had not consulted the other partners before making the payment and since there was no document showing that the firm had authorised him to deposit the amount on its behalf,

Signature Not Verified

Signed By: JAI
NARAYAN
Signing Date: 05.10.2026
11:04:36

FAO(COMM) 64/2026

Page 20 of 28



2026:DHC:8629-DB



the payment was necessarily personal to the Appellant. In our view, the two questions cannot be conflated.

46. The fact that the Appellant did not consult the other partners before making the payment may have a bearing upon the merits of the claim, if otherwise relevant. It does not, by itself, answer the anterior question as to the nature of the claim brought before the learned Sole Arbitrator. The question for the Tribunal was whether the amount paid by the Appellant was towards a liability of the partnership firm and, if so, whether the Appellant was entitled to claim contribution from the other partners in accordance with the arrangement between them. These were matters which arose from the relationship between the partners and the financial affairs of the partnership.

47. Similarly, the absence of any document evidencing prior authorisation by the other partners does not, by itself, establish that the claim adjudicated by the learned Sole Arbitrator was a dispute confined to the Appellant's relationship with the Bank. The amount paid by the Appellant was towards the outstanding liability arising from the loan facility availed by the partnership firm. The Appellant, being one of the partners, was not required, merely for discharging an existing liability of the partnership firm, to obtain prior permission of the other partners before making such payment. Significantly, the Respondents have not led any evidence to establish that the amount so paid by the Appellant was not recoverable on account of the partnership firm. On the contrary, the Bank had treated the account as that of M/s Nova Electro World and had accepted the payment towards full and final settlement of the dues of the said firm. The



2026:DHC:8629-DB



dispute which thereafter remained between the Appellant and the other partners was, therefore, with respect to the inter se incidence of the payment so made.

48. It is also relevant that the learned Sole Arbitrator did not mechanically accept the Appellant's claim for the entire amount paid by him. The Appellant's own 10% share was excluded and only the balance was directed to be borne by the other partners in accordance with their respective shares. The award, therefore, proceeded upon the partnership arrangement itself while determining the extent of the liability of each of the partners.

49. The objection raised by Respondent Nos.1 and 2 was, no doubt, that the Appellant had made the payment in his capacity as a guarantor and that he had not obtained the consent of the other partners. However, the mere description of the Appellant as a guarantor cannot, in the facts of the present case, conclude the question of arbitrability. The same person was simultaneously a partner of the firm and a guarantor of the firm's cash-credit facility. The Settlement Certificate itself identifies him in both capacities. The relevant inquiry, therefore, is the substance of the claim which he brought before the Tribunal and not merely the capacity in which the Bank proceeded against him.

50. In this context, the observation in the Impugned Order that the Bank's recovery against the Appellant was a bipartite transaction between the Bank and the Appellant does not, by itself, answer the question arising in the present Appeal. The Bank's right to recover the outstanding amount from the Appellant as a guarantor is one aspect of the matter. The Appellant's claim against the other partners, after



2026:DHC:8629-DB



making such payment, is a distinct aspect. The latter claim has to be examined with reference to the partnership relationship and the arbitration agreement governing disputes between the partners.

51. The learned District Judge also observed that the learned Sole Arbitrator had not properly decided the objection concerning arbitrability and had “*simply refused to entertain*” the same on the ground that the objection had not been taken in the written statement. On examination of the arbitral award, this description does not appear to be entirely accurate.

52. The learned Sole Arbitrator did notice the objection concerning the maintainability of the Appellant’s claim. The award records the objection that the Appellant’s claim was not maintainable in the arbitration and further records the reliance placed upon the judgment in ***Monnet Finance*** (*supra*). The learned Sole Arbitrator thereafter distinguished the said decision in the context of the facts of the present case. The learned Sole Arbitrator also noticed that no such objection had been taken in the written statement.

53. It is true that the mere fact that an objection was not taken in the written statement may not, by itself, furnish an answer to every question concerning the scope of an arbitration agreement. However, that is not the same as saying that the learned Sole Arbitrator failed to consider the objection altogether. The record demonstrates that the objection was noticed and a view was taken thereon. Whether that view was sustainable had to be examined within the parameters of the jurisdiction available under Section 34 of the Arbitration Act.



2026:DHC:8629-DB



54. More importantly, the learned District Judge, while holding that the claim was beyond the scope of the arbitration, has not sufficiently addressed the distinction between the original relationship of the Bank with the Appellant and the subsequent claim of the Appellant against his co-partners. The Settlement Certificate, which formed part of the material before the learned Sole Arbitrator, records that the underlying account was that of the partnership firm and that the amount of Rs.23,90,000/- was paid towards full and final settlement of the dues of that firm.

55. The nature of the relief granted by the learned Sole Arbitrator also cannot be overlooked. The award did not direct the Bank to do anything, nor did it adjudicate upon the validity of the guarantee furnished by the Appellant. It determined the liability of the other partners towards the Appellant after giving effect to the respective partnership shares. The dispute, therefore, as adjudicated, was one between the partners concerning the financial consequence of a payment made towards the firm's liability.

56. This Court is, therefore, unable to agree with the conclusion in the Impugned Order that the claim of the Appellant was, merely by reason of his status as a guarantor, a personal claim lying wholly outside the scope of the arbitration. The capacity in which the Bank proceeded against the Appellant cannot, by itself, determine the nature of the inter se claim which the Appellant subsequently raised against the other partners.

57. At the same time, it is necessary to emphasise that the conclusion reached herein is confined to the claim which was actually

Signature Not Verified

Signed By: JAI
NARAYAN
Signing Date: 05.10.2026
11:04:36

FAO(COMM) 64/2026

Page 24 of 28



2026:DHC:8629-DB



adjudicated by the learned Sole Arbitrator. We are not examining, nor is it necessary for the disposal of the present Appeal to examine, the other claims originally pleaded by the parties concerning dissolution, rendition of accounts, goodwill, tenancy or any other relief which, pursuant to the proceedings dated 11.12.2023, was not adjudicated by the learned Sole Arbitrator.

58. The next question is the extent to which the learned District Judge could have interfered with the findings of the learned Sole Arbitrator on the factual aspects of the payment. The learned Sole Arbitrator considered the Settlement Certificate, the evidence of the parties and the admissions made during cross-examination. The finding that the firm had availed the cash-credit facility and that the Appellant had made the payment towards the outstanding liability is supported by the material which was before the Tribunal.

59. The learned District Judge, while exercising jurisdiction under Section 34 of the Arbitration Act, was certainly entitled to examine whether the award suffered from a ground contemplated under Section 34. However, the mere fact that the learned District Judge viewed the payment differently from the manner in which it was viewed by the learned Sole Arbitrator could not, by itself, justify setting aside the award. In the present case, the learned Sole Arbitrator's finding was not founded upon an isolated assertion of the Appellant. The existence of the firm's cash-credit facility, the Appellant's status as a guarantor and partner, and the payment of Rs.23,90,000/- towards settlement of the firm's dues are reflected in the material placed before the Tribunal.

60. The Respondents' contention that the Appellant had not

Signature Not Verified

Signed By: JAI
NARAYAN
Signing Date: 05.10.2026
11:04:36

FAO(COMM) 64/2026

Page 25 of 28



2026:DHC:8629-DB



consulted the other partners before making the payment also does not, in the facts of the present case, demonstrate that the learned Sole Arbitrator lacked jurisdiction to adjudicate the claim. The payment was made towards an outstanding liability of the partnership firm and not towards any personal borrowing or liability of the Appellant. The Appellant, being a partner of the firm, was entitled to take steps in the interest of the partnership, including for the discharge of an outstanding liability of the firm. In any event, the Respondents have not led any evidence to establish that the amount paid by the Appellant was not a liability of the partnership firm or that the same was not recoverable in the inter se accounts of the partners. The absence of prior consultation, therefore, does not convert a claim concerning the financial liability of the partnership into a dispute wholly unrelated to the partnership.

61. The learned District Judge, therefore, in this Court's view, fell into error on both counts which formed the foundation of the Impugned Order. First, the learned District Judge treated the other reliefs contained in the Appellant's original counterclaim as continuing to require adjudication notwithstanding the statement recorded on 11.12.2023 and the understanding recorded by the learned Sole Arbitrator in paragraph 55 of the award. Secondly, the learned District Judge treated the Appellant's claim concerning the amount paid towards the firm's Bank liability as a personal claim arising exclusively from the guarantee, without sufficiently considering the character of the claim as one arising inter se the partners from the discharge of the firm's liability.



2026:DHC:8629-DB



62. The two conclusions in the Impugned Order are interlinked. Once it is accepted that, on 11.12.2023, the parties confined the adjudication to the Appellant's claim concerning the amount paid to the Bank, the only question which remained for adjudication was whether that particular claim could validly be decided in the arbitration. As noticed hereinabove, the underlying liability was that of the partnership firm; the Settlement Certificate expressly records payment towards the dues of the firm; the Appellant was himself a partner; the Partnership Deed contained an arbitration clause concerning disputes relating to the partnership deed and books of accounts; and the amount awarded was calculated by giving effect to the respective partnership shares.

63. In these circumstances, the learned Sole Arbitrator's adjudication of the said claim cannot be characterised as an adjudication of a dispute wholly outside the scope of the arbitration merely because the Appellant had also furnished a guarantee to the Bank.

64. Consequently, the principal grounds on which the learned District Judge set aside the arbitral award cannot be sustained. The finding that the learned Sole Arbitrator was required to adjudicate the other reliefs originally forming part of the Appellant's counterclaim does not accord with the contemporaneous proceedings dated 11.12.2023. Equally, the conclusion that the Bank-payment claim was non-arbitrable merely because the Appellant was a guarantor is not borne out by the nature of the claim actually adjudicated and the material on record.



2026:DHC:8629-DB



CONCLUSION:

65. For the foregoing reasons, the Appeal is allowed. The order dated 28.11.2025 passed by the learned District Judge in OMP (COMM.) No.25/2024 is set aside.

66. Consequently, the arbitral award dated 23.12.2023 passed by the learned Sole Arbitrator is restored.

67. The pending application also stands disposed of.

ANIL KSHETARPAL, J.

BHARAT PARASHAR, J.

OCTOBER 05, 2026

jai/pal