

PADANATHIL RUGMINI AMMA

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v.

P.K. ABDULLA

JANUARY 17, 1996

[M.M. PUNCHHI AND SUJATA V. MANOHAR, JJ.]

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Code of Civil Procedure 1908—S.144—Restitution—Whether protection afforded to stranger who purchases at court auction extends to assignee from decree-holder purchaser—Whether doctrine of bona fide purchaser for value extends to outsider deriving title through decree-holder auction purchaser—Held, title of outsiders purchasing from decree-holder auction purchaser is dependent upon title of decree holder auction purchaser—Policy of protection extends to stranger who purchases at court auction sales, not to outsider who does not purchase at court auction—Title of decree-holder auction purchaser defeasible, and outsider purchasing from him expected to be aware of nature of title derived by his seller—O.IX, R.13 C.P.C.

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Kerala Land Reforms Act 1964—Ss. 7, 2(57)—Outsider-assignee of title of decree-holder auction purchaser evicted in restitution proceedings—Whether protection provided under Land reform legislation as 'tenant' applies to such outsider-assignee—Held, provision applies only to those in occupation believing themselves to be tenants—Where title is defeasible to his knowledge, he cannot claim that he believed himself to be tenant—Once lessor's title is defeated, tenant's rights also disappear—Provision not intended to confer legal immunity to trespassers—S. 7B introduced by Kerala Land Reforms (Amendment) Act 39 of 1969—Malabar Tenancy Act, S.43.

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The property in dispute originally belonged to a Tarwad. In proceedings initiated in 1941 for recovery of possession of leasehold property and arrears of rent, an ex parte decree was passed. The decree-holder purchased the suit property in the Court auction. The suit property was leased by the decree-holder auction purchaser, and the rights in the said property were sold in turn till it was sold in 1950 in favour of the respondent purchaser. One of the members of the Tarwad having challenged the ex parte decree by filing an application under O.IX R.13 CPC, the High Court in 1958 ultimately set aside the ex parte decree. Thereafter, proceedings for restitution were initiated, the application was allowed and the properties were re-delivered by 1966.

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A The respondent-purchaser filed a suit contending that he was not to be evicted from the suit property pursuant to the restitution proceeding and there was no re-delivery of the suit property to the Tarwad. He prayed for an injunction to restrain the defendant from interfering with his possession of the property. Further in the proceedings, his plea to incorporate a prayer for a declaration of his title and for recovery of possession of the suit property was allowed. Thereafter, the trial court held that he had established his title to the suit property and upheld his right to recover possession. The District Court and the High Court confirmed this finding.

C Before this Court, question was whether a lessee from the decree-holder auction purchaser was protected, being a third party to the court proceedings and the auction sale. Further, the respondent also contended that, although evicted in restitution proceedings, he could maintain a suit on title as a tenant under the land reform legislation.

D Allowing the appeal, this Court

E HELD : 1. When the decree holder himself is the auction purchaser in a court auction sale held in execution of a decree which is subsequently set aside, restitution of the property can be ordered in favour of the judgment-debtor. The decree-holder auction purchaser is bound to return the property. If at a court auction sale in execution of a decree, the property is purchased by a bona fide purchaser who is a stranger to the court proceedings, the sale in his favour is protected and he cannot be asked to restitute the property to the judgment-debtor if the decree is set aside. The ratio behind this distinction between a sale to a decree-holder and a sale to a stranger is that the court, as a matter of policy, will protect an outside purchaser at sales held in the execution of its decrees, although the sales may be subsequently set aside. The same consideration does not apply to a decree-holder who is a party to the litigation and is very much aware of the vicissitudes of litigation and needs no protections.

[656-F-G, 657-A-B]

G *Binayak Swain v. Ramesh Chandra Panigrahi*, AIR (1966) SC 948; *Zain-ul-Abdin Khan v. Muhammad Asghar Ali Khan*, 1888 ILR 10 All 166; *Sati Chandra Ghose v. Rameswari Dasi*, AIR (1915) Cal 363 and *Abdul Rahman v. Sarat Ali*, AIR (1916) Cal 710, relied on.

H 1. The protection afforded to strangers at an auction sale cannot

extend to those outsiders who do not purchase at a court auction. When outsiders purchase from a decree-holder who is an auction purchaser their title is dependent upon the title of the decree holder auction purchaser. It is a defeasible title liable to be defeated if the decree is set aside. A person who takes an assignment of the property from such a purchaser is expected to be aware of the defeasibility of the title of his assignor. He has not purchased the property through the court at all. There is, therefore, no question of the court extending any protection to him. The doctrine of bona fide purchaser for value also cannot extend to such an outsider.

[658-G-H, 659-B-D]

Gopi Lal v. Jamuna Prasad, AIR (1954) Pat 36, *S. Chockalingam Asari v. N.S. Krishna Iyer*, AIR (1964) Mad 404 and *Parameswaran Pillai Kumara Pillai v. Chinna Lakshmi*, (1970) Ker LJ 458, overruled.

2. The definition of a tenant in s. 2(57) of the Kerala Land Reforms Act 1964 refers only to persons who claim from a lessor who is entitled to lease the land. S.7 of the Act which is a deeming provisions applies only to those who are in occupation believing themselves to be tenants. S.7 is not intended to confer legal immunity to trespassers. A tenant under a person not having title cannot come under the protection of this section nor can the phrase "bona fide believing himself to be a tenant" save a person encroaching or trespassing on another's land. [661-A, E-F]

3. Assuming that it grants him any protection, the respondent cannot avail of s.7-B of the Act which was introduced by amending Act 39 of 1969 with effect from January 1, 1970 since it was not on the statute book in 1966, when he instituted the suit. [661-G-F]

4. The respondent who lost possession as a result of the order being passed in the restitution application cannot, therefore, maintain a suit based on his title since he has no title to land. [661-G-H]

CIVIL APPELLATE JURISDICTION : Civil Appeal No. 93 of 1995.

From the Judgment and Order dated 20.12.85 of the Kerala High Court in S.A. No. 825 of 1979.

T.L. V. Iyer and N. Sudhakaran for the Appellant.

A T.R.G. Warriar, V.B. Saharya for Saharya & Co. for the Respondent.

The Judgment of the Court was delivered by

B MRS. SUJATA V. MANOHAR, J. The property in dispute originally belonged to one Padanattil Chengottu Kunnath Tarwad. One Mohammed Haji filed a suit being suit No. 397 of 1941 for recovery of possession of some properties held by this Tarwad on tenancy rights. On 12 of September, 1942 an *ex parte* decree was passed in the suit in favour of Mohammed Hazi for recovery of possession of the lease hold property and also for arrears of rent. The *ex parte* decree was executed. A number of items of properties belonging to the Tarwad including the suit properties were attached and sold in court auction held on 18.3.45 in execution proceedings. The suit property herein (one acre and ten cents of agricultural land) was purchased by the decree-holder Mohammed Haji in the court auction. The delivery of the suit property was given to the decree-holder auction purchaser on 12.3.1946 as per order on E.A. 389 of 1946.

D After purchase the suit property was given on lease by Mohammed Haji to one Raghavan Nair on 2.5.46. Raghavan Nair in turn sold his rights in the suit property to one Avyaappan who, in turn. Sold his rights to one Raman Menon. Raman Menon sold his rights in the said property on 3.10.1950 in favour of the respondent, P.K. Abdulla.

E One of the members of the Tarwad challenged the *ex parte* decree in OS No. 397 of 1941 by filing an application under Order IX, Rule 13 of the Civil Procedure Code. The trial court declined to set aside the *ex parte* decree. The order of the Trial court was reversed by the appellate Court. Ultimately the High Court by its judgment and order dated 29.1.1958 set aside the *ex parte* decree.

G After the *ex parte* decree was set aside, proceedings by way of restitution were started by the first defendant and Karnavan of the Tarwad by filing E.P. 29 of 1959. All the properties which had been taken possession of by Mohammed Hazi in execution of the *ex parte* decree and of which restitution was sought were set out in a schedule in the proceedings for restitution. Item No. 6 in E.P. 29 of 1959 was the suit property. E.P. 29 of 1959 had originally contained a prayer for only symbolic re-delivery of the properties which had been taken possession of in execution by H Mohammed Haji. But the application was subsequently amended and

actual delivery was asked for.

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This restitution application was allowed and the properties were re-delivered pursuant to these restitution proceedings. Such re-delivery of the suit property is evidenced by Exh. 82 dated 5.4.1966. Exhibits A25 and A27 are a report and account of the Amin who re-delivered possession of the suit property to the Tarwad.

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The respondent, P.K. Abdulla, thereupon filed suit being OS 288 of 1966 contending that he was not evicted from the suit property pursuant to the restitution proceedings and there was no re-delivery of the suit property to the Tarwad. He prayed for an injunction to restrain the defendant from interfering with his possession of the property.

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The trial court dismissed his suit holding that there was a proper re-delivery of the property and the Tarwad got back the property. In appeal the trial court's judgment was confirmed. A second appeal was filed by the respondent P.K. Abdulla before the Kerala High Court. He also filed a petition for amending the plaint to incorporate a prayer for a declaration of his title and for recovery of possession of the suit property. This prayer was granted and the judgment and decree of the courts below was set aside and the matter was remanded to the trial court permitting the respondent to amend the plaint as indicated in the judgment and directing the trial court to dispose of the suit in accordance with law and in the light of the findings and observations in the High Court's judgment.

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After remand the trial court found that the Tarwad had obtained possession of the property pursuant to the restitution proceedings. It also found that the respondent who was the plaintiff therein had established his title to the suit property and his right to recover possession. It accordingly decreed the suit allowing recovery of possession. This finding was confirmed by the district court and by the High Court. Hence the present appeal has come before us.

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The appellant before us is the successor-in-interest of the Tarwad and its members who were the defendants in OS No. 397 of 1941. After the ex parte decree in OS No. 397 of 1941 was set aside the suit has been heard on merit and the Munsif's court by its judgment and order dated 26th November, 1962 has dismissed the suit of Mohammed Hazi for eviction and recovery of possession but has decreed the suit for arrears of

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A rent and costs. It is, therefore, not in dispute that the appellant as the successor-in-interest of the original defendants in OS No. 397 of 1941, is entitled to restitution insofar as it is permissible in law, in respect of the properties which were sold in execution of the *ex parte* decree which was set aside.

B It is, however, contended by the respondent that he is a lessee from the decree-holder auction purchaser. The appellant cannot seek restitution of properties leased to him by the decree-holder auction purchaser. The lease in his favour is protected, he being a third party to the court proceedings and the auction sale. This contention has been upheld by the
C Kerala High Court and is challenged before us. Now, under Section 144 of the Civil Procedure Code where and insofar as a decree or an order is varied reversed or is set aside, the court which passed the decree or order, shall, on the application of any party entitled to any benefit by way of
D restitution or otherwise, cause such restitution to be made as will, so far as may be, place the parties in the position which they would have occupied but for such decree or order. For this purpose the court may make such orders including orders for the refund of costs and for the payment of interest, damages, compensation and mesne profits, which are properly consequential on such variation, reversal, setting aside or modification of the decree or order.

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In the present case, as the *ex parte* decree was set aside, the judgment-debtor was entitled to seek restitution of the property which had been sold in court auction in execution of the *ex parte* decree. There is no doubt that when the decree-holder himself is the auction purchaser in a court
F auction sale held in execution of a decree which is subsequently set aside, restitution of the property can be ordered in favour of the judgment-debtor. The decree-holder auction purchaser is bound to return the property. It is equally well settled that if at a court auction sale in execution of a decree, the properties are purchased by a *bona fide* purchaser who is a
G stranger to the court proceedings, the sale in his favour is protected and he can not be asked to reconstitute the property to the judgment-debtor if the decree is set aside. The ratio behind this distinction between a sale to a decree-holder and a sale to a stranger is that the court, as a matter of policy, will protect honest outside purchasers at sales held in the execution of its decrees, although the sales may be subsequently set aside, when such
H purchasers are not parties to the suit. But for such protection, the proper-

ties which are sold in court auctions would not fetch a proper price and the decree-holder himself would suffer. The same consideration does not apply when the decree-holder is himself the purchaser and the decree in his favour is set aside. He is a party to the litigation and is very much aware of the vicissitudes of litigation and needs no protection. A

In the case of *Binayak Swain v. Ramesh Chandra Panigrahi and Anr.*, AIR (1966) SC 948, this Court considered a case where in execution of an ex parte decree the property of the judgment-debtor was purchased by the decree-holder. The decree was set aside in appeal and the case remanded for fresh disposal. This Court said that the judgment-debtor was entitled to restitution even though ultimately after fresh disposal a decree was passed in favour of the decree-holder. It said that the principle of the doctrine of restitution is that on the reversal of a decree the law imposes an obligation on the party to the suit who received the benefit of the erroneous decree to make restitution to the other party for what he has lost. This obligation arises automatically on the reversal or modification of the decree and necessarily carries with it is right to restitution of all that has been done under the erroneous decree; and the court in making restitution is bound to restore the parties so far as they can be restored to the same position they were in at the time when the court by its erroneous action had displaced them. B C D E

As far back as in 1888, however, a distinction was made between sales to decree-holders and sales to outsider purchasers. In the case of *Zain-Ul-Abdin Khan v. Muhammad Asghar Ali Khan and Ors.*, (1888) ILR (X) Allahabad 166, the Privy Council held that there was a great distinction between the decree-holders who come in and purchase under their own decree which is afterwards reversed on appeal and the bona fide purchasers who come in and buy at the sale in execution of a decree to which they are not parties and at a time when the decree is a valid decree and when this order for sale is a valid order. It held that the sales in favour of bona fide purchasers who were not parties to the decree at a time when the decree was valid would be protected. In the case before the Privy Council there were three sets of purchasers. Some of the defendants who had purchased were the decree-holders. Some person has purchased from decree-holders or came under them, while others were merely purchasers in execution and strangers to the decree upon which the execution had issued. The Privy Council said that the decree-holder purchasers as well as F G H

- A persons who came in under them are in the same position and they have to be classed under the head of decree-holders as against strangers to the decree. The Privy Council required to consider only the case of strangers to the decree. But from the judgment it is quite clear that it categorised the decree-holder auction purchaser as well as those claiming under such decree holder purchasers in the same category of decree-holders. This category therefore, would be liable to render restitution.

- In the case of *Satis Chandra Ghose v. Rameswarj Dasi and Ors.*, AIR (1915) Calcutta 363, the Calcutta High Court relied upon these observations of the Privy Council and held that the decree-holders and those who claim under decree-holders will form one class as against strangers to the decree who purchase in a court auction sale. The title of a purchaser from one who has bought at the sale in execution of his own decree is liable to be defeated when the decree is subsequently set aside. The Calcutta High Court said, "The court as a matter of policy has a tender regard for honest purchasers at sales held in execution of its decrees though the sales may be subsequently set aside, where those purchasers are not parties to the suit and the decree has not been passed without jurisdiction. But the same measure of protection is not extended to purchasers who are themselves the decree-holders; nor can the purchasers from such decree-holders claim that the court owes them any duty....." The policy which prompts the extension of protection to the strangers who purchase at court auctions is based on a need to ensure that proper price is fetched at a court auction. This policy has no application to sales outside the court. The purchasers from a decree-holder auction purchaser have bought from one whose title is liable to be defeated. The title acquired by the purchaser from the decree-holder is similarly defeasible. The Court further observed, "The defeasibility of a decree-holder's title where the decree is *ex parte* is of such common occurrence that the plea of a purchaser for value without notice hardly applies".

- G The same view has been reaffirmed by the Calcutta High Court in the case of *Abdul Rahman v. Sarat Ali and Anr.*, AIR (1916) Calcutta 710 where it has held that the assignee of a decree-holder auction purchaser stands in no better position than his assignor. The special protection afforded to a stranger who purchases at an execution sale is not extended to an assignee of the decree-holder auction purchaser.

The distinction between a stranger who purchases at an auction sale and an assignee from a decree-holder purchaser at an auction sale is quite clear. Persons who purchase at a court auction who are strangers to the decree are afforded protection by the court because they are not in any way connected with the decree. Unless they are assured of title, the court auction would not fetch a good price and would be detrimental to the decree-holder. The policy, therefore, is to protect such purchasers. This Policy cannot extend to those outsiders who do not purchase at a court auction. When outsiders purchase from a decree-holder who is an auction purchaser clearly their title is dependent upon the title of decree holder auction purchaser. It is a defeasible title liable to be defeated if the decree is set aside. A person who takes an assignment of the property from such a purchaser is expected to be aware of the defeasibility of the title of his assignor. He has not purchased the property through the court at all. There is, therefore, no question of the court extending any protection to him. The doctrine of a *bona fide* purchaser for value also cannot extend to such an outsider who derives his title through a decree-holder auction purchaser. He is aware or is expected to be aware of the nature of the title derived by his seller who is a decree-holder auction purchaser.

The High Courts of Patna, Madras and Kerala, however, appear to have taken a different view. They have equated an assignee from a decree-holder auction purchaser with a stranger auction purchaser on the basis that an assignee from a decree-holder auction purchaser has to be considered as a *bona fide* purchaser for value who should not be allowed to suffer on account of the mistakes or irregularities committed in a court of law. It is difficult to see how an assignee from a decree-holder auction purchaser can be equated with a *bona fide* purchaser for value without notice. He is aware of the nature of the title of his seller or assignor. He is also aware that the title of his assignor or seller is subject to the doctrine of restitution if the decree is ultimately set aside particularly in a case where the decree is an *ex parte* decree and there is a greater possibility of such a decree being set aside. The reasons which prompt the courts to protect strangers who purchase at court auction sales also do not apply to assignees or purchasers from a decree-holder auction purchaser. They purchase outside the court system and cannot expect any protection from the Court. Their title is liable to be defeated if the title of their seller or

A assignor is defeated. The view, therefore, expressed by the Patna High Court in the case of *Gopi Lal and Anr. v. Jamuna Prasad and Ors.*, AIR (1954) Patna 36, the Madras High Court in *S. Chokalingam Asari v. N.S. Krishna Iyer and Ors.*, AIR (1964) Madras 404, and the cases cited therein as also by the Kerala High Court in the case of *Parameswaran Pillai Kumar Pillai and Ors. v. Chinna Lakshmi and Anr.*, (1970) Ker. L.J. 458 is not the correct view. The High Court, therefore, was not right in protecting the lease created in favour of the respondent by Mohd. Haji who was a decree-holder auction purchaser at the sale in execution of the *ex parte* decree which was subsequently set aside.

C The respondent, however, contends that although he was evicted in restitution proceedings, he can nevertheless maintain a suit on title because as a lessee he enjoyed certain protection under the land reform legislation in Kerala. The Kerala Land Reforms Act, 1964 was in operation at the time when he was evicted on 5.4.1966. Since the suit of the appellant was based on his title on the date when he was evicted, we need to examine the land reform legislation which applied to the tenants in 1966. It is, however, urged by the respondent that in 1966 when he was evicted, his rights under Section 43 of the Malabar Tenancy Act were protected. Section 43 provides that a cultivating tenant shall be entitled to continue on the holding although the rights of his immediate landlord or of any superior land lord have been extinguished, whether by eviction or by redemption of a mortgage or otherwise. This section envisages the creation of a tenancy by the owner of the land. Thereafter, although the rights of the landlord may be extinguished, the tenant can continue. It does not envisage a situation where the person creating the initial tenancy had only a defeasible right to the land of another, not only to his own knowledge but also to the knowledge of his "tenant". Such persons are not protected under Section 43. This is also clearly brought out by the Kerala Land Reforms Act, 1964 which replaced the Malabar Tenancy Act and was the law in force at the relevant time. Under Section 2(57), a tenant is defined to mean :

"2(57) any person who has paid or agreed to pay rent or other consideration for his being allowed to possess and enjoy any land by a person entitled to lease that land, and includes

H (j) A person who is deemed to be a tenant under Section 7,

Section 7A....."

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This definition of a tenant clearly refers only to persons who claim from a lessor who is entitled to lease the land. A person who has, obtained a lease from somebody who does not have any title to the land will not be a tenant. The respondent, however, placed reliance upon Section 7. This section provides as follows :

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"7 : Notwithstanding anything to the contrary contained in section 52 or any provision of the Transfer of Property Act, 1882, or any other law, or in any contract, custom, or usage, or in any judgment, decree or order of court, any person in occupation at the commencement of the Kerala Land Reforms (Amendment) Act, 1969 of the land of another situate in Malabar shall be deemed to be a tenant if he or his predecessor-in-interest was continuously in occupation of such land honestly believing himself to be a tenant for not less than two years within a period of twelve years immediately preceding the 11th day of April of 1967."

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This section applies only to those who are in occupation believing themselves to be tenants. When a person obtains a lease from a lessor whose title is defeasible to his knowledge, he can not claim that he believed himself to be a tenant. He will be a tenant only so long as the lessor has title to the land. Once the lessor's title is defeated the tenants' rights also disappear. Section 7 is not intended to confer legal immunity to trespassers. A tenant under a person not having title can not come under the protection of this section nor can the phrase "bona fide believing himself to be a tenant" save a person encroaching or trespassing on another's land. Reliance was sought to be placed on Section 7B of the Act which was introduced by amending Act 39 of 1969 with effect from 1.1.1970 under which protection is granted to certain persons occupying lands under leases granted by incompetent persons. This section, however, was not on the statute book in 1966 and the respondent cannot avail of it assuming that it grants him any protection.

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In the premises, the respondent who lost possession as a result of an order being passed in restitution application and was dispossessed pursuant to the order in the restitution application cannot therefore maintain a suit based on his title since he had no title to the land. The High Court,

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- A therefore, was not right in upholding the decree of the trial court. The trial court found that the Tarwad had obtained possession pursuant to the restitution application. It, however, went on the hold that the respondent had established his title and could recover the property. These findings cannot be sustained in view of what we have said above. The appeal, therefore, is allowed. The decree of the trial court is set aside and the suit of the respondent is dismissed with costs.
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U.R.

Appeal allowed.