



April 2025

The Supreme Court reiterates that in the absence of privity of contract, a complainant cannot be a 'consumer' under the Consumer Protection Act, 1986

The Hon'ble Supreme Court ("Supreme Court") has in the matter of *M/s. Citicorp Finance (India) Limited vs. Snehasis Nanda*¹ reiterated that without privity of contract between a complainant and respondent, the complainant will not qualify as a 'consumer' under the Consumer Protection Act, 1986 ("CP Act"). While arriving at its findings, the Hon'ble Supreme Court also reiterated that the mere presence of an arbitration agreement in a contract would not oust the jurisdiction of a consumer court.

Brief facts

In 2006, the respondent/complainant, Snehasis Nanda ("Nanda") purchased a flat in Navi Mumbai ("Flat") with a housing loan of INR 17,64,664 (Indian Rupees seventeen lakh sixty-four thousand six hundred and sixty-four) from ICICI Bank ("Bank"). In 2008, Mr. Mubarak Vahid Patel, the borrower ("Mubarak") approached Nanda to purchase the Flat for INR 32,00,000 (Indian Rupees thirty-two lakh). Nanda and Mubarak entered a memorandum of understanding and agreement for sale for the Flat. On the same day, a purported Tripartite Agreement dated February 9, 2008 ("Tripartite Agreement") which also contained an arbitration clause, was allegedly entered into between Nanda, Mubarak and Citicorp Finance India Limited, the appellant ("Citicorp Finance"). Citicorp Finance denied the existence of the Tripartite Agreement. Mubarak approached Citicorp Finance for a housing loan. By a home loan agreement, Citicorp Finance agreed to grant Mubarak a loan amounting to INR 23,40,000 (Indian Rupees twenty-three lakh forty thousand). Since the Flat was already mortgaged with the Bank, Citicorp Finance disbursed an amount of INR 17,80,000 (Indian Rupees seventeen lakh eighty thousand) directly to Nanda's loan account to secure release of the Flat. For the remaining amount of INR 5,09,311 (Indian Rupees five lakh nine thousand three hundred and eleven), Citicorp Finance issued a cheque in favour of Mubarak which was not encashed by him. Eventually, the loan account of Nanda was closed.

In 2018, Nanda filed a consumer complaint before the National Consumer Disputes Redressal Commission ("NCDRC") *inter alia* seeking compensation from Citicorp Finance for alleged non-payment of INR 13,20,000 (Indian Rupees thirteen lakh twenty thousand) of the purchase price of INR 32,00,000 (Indian Rupees thirty-two lakh) under the alleged Tripartite Agreement. The NCDRC dismissed the complaint at the pre-admission stage, observing that Nanda could not be termed as a 'consumer' within the meaning of the CP Act. A review application filed by Nanda was also dismissed by the NCDRC. Nanda then approached the Hon'ble Supreme Court which set aside the order of dismissal passed by the NCDRC and remanded the matter back to the NCDRC to be decided on merits.

¹ 2025 SCC OnLine SC 594

The NCDRC considered the matter on merits and by an order dated January 19, 2023, directed Citicorp Finance to refund INR 13,20,000 (Indian Rupees thirteen lakh twenty thousand) with interest @ 12% per annum along with INR 1,00,000 (Indian Rupees one lakh) towards litigation costs to Nanda ("**Impugned Order**"). Being aggrieved by the Impugned Order, Citicorp Finance preferred an appeal before the Hon'ble Supreme Court ("**Appeal**").

Issue

Whether the complainant would come under the definition of 'consumer' in terms of the CP Act?

Findings and analysis

The Hon'ble Supreme Court allowed the Appeal and *inter alia* held as follows:

1. The transaction for the sale of the Flat was solely between Nanda and Mubarak. As such, there was no privity of contract between Nanda and Citicorp Finance. Considering the same, Nanda was not a 'consumer' under the CP Act.
2. As held in *India Oil Corporation vs. Consumer Protection Council, Kerala*², and *Janpriya Buildestate Private Limited vs. Amit Soni*³, the Hon'ble Supreme Court reiterated that in the absence of privity of contact between the parties, no deficiency of service could be established against Citicorp Finance.
3. As held earlier in *M Hemalatha Devi vs. B Udayasri*⁴ and *Emaar MGF Land Limited vs. Aftab Singh*⁵, even in a consumer dispute under the CP Act or under the Consumer Protection Act, 2019, arbitration as provided under an agreement may be resorted to. However, the exclusive choice of forum would be that of the consumer alone.

Conclusion

The findings in this judgment, particularly, on the issue of privity of contract, would be useful in cases where a party is summarily subjected to proceedings without having any contractual relationship with the complainant. While the judgment was delivered in the context of the CP Act, its import would equally apply to matters under the Consumer Protection Act, 2019.

² (1994) 1 SCC 397

³ 2021 SCC OnLine SC 1269

⁴ (2024) 4 SCC 255

⁵ (2019) 12 SCC 751

Consumer Protection Practice

JSA has a vast experience on matters relating to consumer protection laws and related matters. We have advised clients (both domestic and global), across sectors and industries on complex queries around consumer protection laws and rules thereunder, and its interplay with other related legislations, like data privacy and exchange control laws.

We have developed a leading consumer protection practise supported by a group of extraordinarily gifted and experienced solicitors with knowledge of the essential consumer law sector. Our team has experience in managing complex consumer cases at the national level in India. We are renowned for our proficiency in successfully defending the interests of our clients.

Our key areas of advice include:

- Analysis of business activities from consumer protection laws perspective including import regulations and foreign trade policy of India;
- Advise on registration and licensing requirements;
- Advising on e-commerce rules;
- Advise on single brand retail and multi-brand retail from foreign exchange laws perspective;
- Advise on product liability issues and compliances;
- Advising on standards issued by the BIS and quality control orders including advisory in relation to inspection and enquiries by authorities;
- Advising on advertisement, packaging and labelling requirements.

This Prism has been prepared by:



Farhad Sorabjee
Partner



Pratik Pawar
Partner



Shanaya Cyrus Irani
Partner



Siddhesh Pradhan
Principal Associate



Jatin Asrani
Junior Associate



18 Practices and
41 Ranked Lawyers



7 Ranked Practices,
21 Ranked Lawyers



12 Practices and 50 Ranked
Lawyers



14 Practices and
12 Ranked Lawyers



20 Practices and
22 Ranked Lawyers



Ranked Among Top 5 Law Firms in
India for ESG Practice



Recognised in World's 100 best
competition practices of 2025



Among Top 7 Best Overall
Law Firms in India and
11 Ranked Practices



Asia M&A Ranking 2024 – Tier 1

Employer of Choice 2024

Energy and Resources Law Firm of the
Year 2024

Litigation Law Firm
of the Year 2024

Innovative Technologies Law Firm of
the Year 2023

Banking & Financial Services
Law Firm of the Year 2022



Ranked #1
The Vahura Best Law Firms to Work
Report, 2022

Top 10 Best Law Firms for Women in
2022



7 Practices and
3 Ranked Lawyers

For more details, please contact km@jsalaw.com

www.jsalaw.com



Ahmedabad | Bengaluru | Chennai | Gurugram | Hyderabad | Mumbai | New Delhi



This Prism is not an advertisement or any form of solicitation and should not be construed as such. This Prism has been prepared for general information purposes only. Nothing in this Prism constitutes professional advice or a legal opinion. You should obtain appropriate professional advice before making any business, legal or other decisions. JSA and the authors of this Prism disclaim all and any liability to any person who takes any decision based on this publication.