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## **Delhi High Court holds that the National Company Law Tribunal has exclusive jurisdiction to adjudicate if there is fraud or malicious initiation of insolvency proceedings.**

In *Roseland Buildtech Private Limited vs. Vihaan 43 Realty Private Limited*<sup>1</sup>, the Delhi High Court (“**Delhi HC**”) held that disputes relating to the existence of debt, validity of assignment, and allegations of fraud, forgery, collusion and malicious initiation of insolvency proceedings fall squarely within the exclusive jurisdiction of the National Company Law Tribunal (“**NCLT**”) under the Insolvency and Bankruptcy Code, 2016 (“**IBC**”). The Delhi HC further held that civil courts are barred from entertaining such disputes by virtue of ouster clauses under Sections 63 and 231 of the IBC<sup>2</sup>. It dismissed the civil suit as an impermissible collateral challenge to pending proceedings under Section 7 of the IBC<sup>3</sup>.

### **Brief facts**

1. Roseland Buildtech Private Limited (“**Plaintiff**”) availed a term loan of INR 80,00,00,000 (Indian Rupees eighty crore) in 2006 from defendant no. 2 (then Sonata Investments Ltd. Limited) under a loan agreement, the repayment period of which was subsequently extended.
2. In 2020, the debt was allegedly assigned in favour of defendant no. 1 (Vihaan 43 Realty Private Limited) under a Business Transfer Agreement (“**BTA**”).
3. In 2024, pursuant to a broader shareholding and control restructuring transaction, the Plaintiff made payments which it claimed resulted in full discharge of the loan liability.
4. Despite this, defendant no. 1 initiated proceedings under Section 7 of the IBC before the NCLT alleging default, relying on the BTA as the basis of its status as financial creditor.
5. Contending that the loan stood discharged and that the BTA was forged, fabricated and *void ab initio*, the Plaintiff instituted a commercial civil suit before the Delhi HC seeking declarations negating the debt and assignment, along with an injunction restraining the insolvency proceedings.

### **Issues**

<sup>1</sup> 2026 SCC OnLine Del 7 (decided on January 5, 2026)

<sup>2</sup> Sections 63 and 231 of the IBC deal are in the nature of ouster clauses which limit the jurisdiction of the civil courts to entertain any suit or proceed in respect of any matter wherein the NCLT or the National Company Law Appellate Tribunal has jurisdiction.

<sup>3</sup> Section 7 of the IBC provides for the initiation of corporate insolvency resolution process by any financial creditor against the borrower/corporate debtor.

The judgment deals with the following relevant issues:

1. whether the civil suit instituted by the Plaintiff was barred under Sections 63 and 231 of the IBC; and
2. whether disputes relating to the existence of debt, discharge of liability, validity of assignment, and allegations of fraud, forgery and fabrication fall within the jurisdiction of the NCLT under Sections 65, 75 and 60(5)(c) of the IBC<sup>4</sup>.

## Findings and analysis

### Re: Ouster of civil court jurisdiction under Section 63 and 231 of the IBC

1. The Delhi HC observed that Sections 63 and 231 of the IBC act as classic ouster clauses commonly found in specialised legislations. It held that these provisions operate to exclude civil court jurisdiction in respect of matters which the NCLT or National Company Law Appellate Tribunal is empowered to adjudicate under the IBC.
2. The Delhi HC observed that once it is demonstrated that the subject matter of the suit falls within the statutory remit of the NCLT, the civil court is denuded of jurisdiction at the threshold and must decline to entertain the suit.

### Re: Jurisdiction of the NCLT to adjudicate fraudulent initiation of insolvency proceeding

1. The Delhi HC held that the statutory scheme of the IBC expressly empowers the NCLT to examine allegations of fraud, forgery and malicious initiation of insolvency proceedings. As regards Section 65 of the IBC, the Delhi HC held that adjudication of fraudulent or malicious initiation of proceedings necessarily involves fact-finding, examination of documents and evaluation of evidence.
2. Section 75 of the IBC prescribes penalties for furnishing false information or suppression of material facts in a Section 7 application. The Delhi HC held that the NCLT is also vested with the authority to test the veracity of pleadings and documents forming the foundation of the insolvency proceedings.
3. The Delhi HC further described Section 60(5)(c) of the IBC as a residuary provision conferring wide jurisdiction on the NCLT to determine any question of law or fact arising out of or in relation to insolvency proceedings. Reliance was placed on *Embassy Property Developments Private Limited vs. State of Karnataka*<sup>5</sup> and *Essar Steel India Private Limited vs. Satish Kumar Gupta*<sup>6</sup> to hold that the NCLT is also competent to adjudicate seriously disputed questions of fact where such issues bear a direct nexus with the insolvency proceedings.
4. While *Embassy Property* (supra) authoritatively settled that the NCLT has jurisdiction to inquire into fraudulent initiation of Corporate Insolvency Resolution Process (“CIRP”) under Section 65 of the IBC, the Delhi HC extended this reasoning to Section 75 of the IBC. It articulated that the power to penalise false information necessarily presupposes a substantive adjudicatory power to test the veracity, genuineness and legal validity of the documents forming the foundation of the Section 7 application. The Delhi HC made a nuanced yet significant move and treats Sections 65 and 75 of the IBC not as isolated penal provisions operating post-admission, but as institutional safeguards embedded within the insolvency framework to prevent abuse at the threshold stage itself.
5. Further, by reading these provisions in conjunction with the residuary jurisdiction under Section 60(5)(c) of the IBC, the Delhi HC clarified that the NCLT is not confined to summary scrutiny under Section 7 of the IBC. It affirmed that the NCLT is institutionally equipped to adjudicate complex and disputed questions involving fraud, forgery, collusion and validity of assignment deeds. The judgment thus reinforces the idea that ouster of civil court jurisdiction is not merely textual under Sections 63 and 231 of the IBC but structurally compelled by the breadth

<sup>4</sup> Section 60(5) of the IBC confers wide residuary jurisdiction on the NCLT to adjudicate any question of law or fact arising out of or in relation to the insolvency resolution or liquidation of a corporate debtor

<sup>5</sup> (2020) 13 SCC 308

<sup>6</sup> (2020) 8 SCC 531

of adjudicatory competence vested in the NCLT. This competence following *Embassy Property* (supra), now clearly extends to the examination of foundational fraud affecting the very basis of the insolvency process.

## Conclusion

This decision significantly strengthens the exclusivity of the insolvency framework under the IBC. The Delhi HC has clarified that challenges relating to the existence of debt, discharge of liability, validity of assignment instruments or allegations of fraud and fabrication forming the basis of a Section 7 application fall within the jurisdiction of the NCLT. Such issues, the Delhi HC has held, cannot be pursued through parallel civil proceedings.

Upon a conjoint reading of Sections 65 and 75 of the IBC with the wide residuary jurisdiction under Section 60(5)(c) of the IBC, the Delhi HC has affirmed that the NCLT is institutionally equipped to examine complex and seriously disputed questions of fraud, forgery and malicious initiation at the threshold stage. Civil courts cannot be invoked to stall or dilute insolvency proceedings through declaratory or injunctive relief framed as independent causes of action.

For stakeholders, the judgment underscores 2 (two) practical implications:

1. **For financial creditors:** Section 7 of the IBC triggers are unlikely to be derailed through collateral civil litigation once insolvency proceedings are initiated.
2. **For corporate debtors:** All jurisdictional, factual and fraud-based allegations must be consolidated before the NCLT and strategic parallel suits are likely to be rejected at the threshold (unless such allegations are not linked to initiation of insolvency proceedings).

Overall, the decision furthers the IBC's objective of centralised, time-bound insolvency adjudication and signals judicial intolerance for forum shopping or 'anti-tribunal' litigation designed to derail or delay CIRP.

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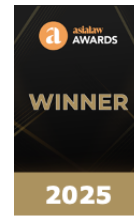
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