

[2026 LiveLaw \(SC\) 223](#)

IN THE SUPREME COURT OF INDIA  
CIVIL APPELLATE JURISDICTION

**PRASHANT KUMAR MISHRA; J., PRASANNA B. VARALE; J.**

MARCH 10, 2026

CIVIL APPEAL NO. 3255 OF 2026 (ARISING OUT OF S.L.P. (CIVIL) NO. 6453 OF 2024)

**MUDDAM RAJU YADAV versus B. RAJA SHANKER (D) THROUGH LRS. & ORS.**

**Specific Relief Act, 1963 – Specific Performance – Discretionary Relief – Bona Fides of Plaintiff – Suppression of Material Facts – The Supreme Court upheld the High Court’s decision to dismiss a suit for specific performance where the plaintiff suppressed the existence of a Memorandum of Understanding (MoU) executed on the same day as the sale agreement - held that specific performance is an equitable and discretionary relief that must be denied if there is even a slight doubt regarding the plaintiff’s bona fides or if material facts have been withheld from the Court - A plaintiff approaching the Court with "unclean hands" by failing to mention a contemporaneous document that characterizes the sale agreement as a sham/nominal document for a loan transaction is not entitled to relief.**

**Sham and Nominal Documents – Loan Transaction vs. Sale Agreement – Probative Value of Contemporaneous Documents – Held that where a registered sale agreement and a separate MoU are executed on the same day, purchased from the same stamp vendor, and witnessed by the same individuals, such facts strongly probablize the defense that the sale agreement was merely security for a loan transaction rather than a genuine sale. [Paras 10-12]**

[Arising out of impugned final judgment and order dated 05-12-2023 in AS No. 714/2006 passed by the High Court for The State of Telangana at Hyderabad]

*For Petitioner(s): Mr. Aruneshwar Gupta, Sr. Adv. Mr. R. Santhanan Krishnan, Adv. Mr. Udhey Krishna Ganeshan, Adv. Mr. Kesav Kumar, Adv. Mr. Krishna Kumar Singh, AOR*

**J U D G M E N T**

**PRASHANT KUMAR MISHRA, J.**

1. Leave granted.
2. The present Appeal is preferred by the appellant/plaintiff whose suit for specific performance of agreement of sale dated 4.6.2002 was decreed by the Trial Court. However, in appeal by the respondent(s)/defendant(s), the High Court has set aside the judgment and decree of the Trial Court. Resultantly, the suit filed by the appellant/plaintiff stands dismissed.
3. The sale agreement dated 4.6.2002 was in respect of house property bearing No.1-91/1 (Old No.1-17/2) constructed on Plot No.1 admeasuring 406.33 square yards in Survey No. 1 situated at Medchal Village and Mandal, Ranga Reddy District. The agreement was for a total sale consideration of Rs.13,00,000/- (Rupees Thirteen Lakh) and defendant(s) had received a sum of Rs.6,00,000/- (Rupees Six Lakh) as advance. The agreement was registered on the same day with the Office of the SubRegistrar, Medchal, Ranga Reddy District. As per the terms of agreement, the plaintiff had to pay the balance amount of sale consideration of Rs.7,00,000/- (Rupees Seven Lakh) to the defendant(s) at the time of execution of the sale deed within 11 months from the date of agreement. As per the plaintiff, he was always ready and willing to pay the balance amount of sale consideration; however, the defendant(s) avoided to receive the amount and execute the sale deed on one pretext or the other. The plaintiff issued a legal notice dated 25.4.2003 calling upon

the defendant(s) to execute the sale deed. However, despite the receipt of legal notice, the defendant(s) neither submitted any reply nor executed the sale deed, necessitating filing of the subject suit.

4. According to the defendant(s), the plaintiff is an unlicensed money lender and he lent an amount of Rs.6,00,000/- (Rupees Six Lakh) towards hand loan to the defendant(s) holding the original sale deed of the defendant(s) in respect of the suit schedule property with an understanding that within 12 months from the date of the agreement, the defendant(s) would return Rs.6,00,000/- (Rupees Six Lakh) and the plaintiff would return the original title deeds and would also get the registered agreement cancelled. It was also agreed that in the event of non-discharge of the loan amount within 12 months, the defendant(s) would transfer the suit schedule property in favour of the plaintiff as per the prevalent market value, until which time, the plaintiff had undertaken and declared that he would not exercise any right, interest, title or claim over the suit property. The understanding was reduced into writing, signed by the plaintiff on the same day i.e., 4.6.2002 followed by the registered agreement of sale dated 4.6.2002 and, thus, the agreement was nothing but a sham and nominal document. Pursuant to the written understanding dated 4.6.2002, the plaintiff acknowledged the receipt of Rs.1,00,000/- (Rupees One Lakh) on 25.9.2002 towards part repayment of the loan amount, but successfully evaded to pass a receipt acknowledging the payment of Rs.1,50,000/- (Rupees One Lakh and Fifty Thousand) paid on two occasions in the months of the November and December 2002. When the defendant and his sons insisted for receipt of the said repayments of the loan amount, the plaintiff issued a legal notice presenting a new version that he was a *bona fide* purchaser on the strength of sale agreement and suppressing the true fact of loan transaction. It was, therefore, pleaded by the defendant(s) that as per the understanding, the sale consideration was determinable only after 12 months from the date of the agreement of sale and that too in the event of the defendant(s) failing to return the loan amount of Rs.6,00,000/- (Rupees Six Lakh) to the plaintiff. Thus, as per the defendant(s), the sale agreement is not enforceable, being a sham and nominal document. The defendant(s) also stated that the market value of the suit property was much higher than what has been quoted in the agreement.

5. In the course of trial, the plaintiff examined himself as PW-1 and got marked Exhibits A-1 to A-7 on his behalf, out of which, the following are the material documents:

- i. Exhibit A-1 was the agreement of sale dated 4.6.2002;
- ii. Exhibit A-2 was a no objection letter executed by the sons of the defendant; iii. Exhibit A-3 was an office copy of the legal notice dated 25.4.2003; and iv. Exhibit A-7 was the statement of account of the plaintiff issued by the State Bank of Hyderabad, Old Bowenpally.

6. On the other hand, the defendant examined his sons namely, Dr. B. Venuprakash and Shri B. Shyamsunder as DW-1 and DW-2 respectively. He got marked Exhibit B-1 – a photocopy of the receipt for Rs.1,00,000/- (Rupees One Lakh) and Exhibit B-2 – the Memorandum of Understanding<sup>1</sup> dated 4.6.2002.

7. The Trial Court decreed the suit on the reasoning that the defendant(s) has not denied the execution of the agreement and receipt of the legal notice and since the plaintiff was in possession of required fund for payment of the balance sale consideration as reflected in Exhibit A-7, the bank account statement of the plaintiff, he was always ready and willing to perform his part of the contract and was entitled for decree of specific

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<sup>1</sup> For short, “the MoU”

performance. Under the impugned judgment, the High Court has allowed the defendants' appeal to set aside the judgment of the Trial Court.

**8.** We have heard the learned counsel for the parties and perused the material papers.

**9.** Since the High Court has recorded a finding that in view of Exhibit B-2 – Memorandum of Understanding dated 4.6.2002 executed by the parties on the same day on which the agreement was entered into between them, the sale agreement appears to be a sham and nominal document, we shall examine the correctness of the said finding of the High Court.

**10.** It is the case of the defendant(s) from the very beginning that the sale agreement was executed by way of security for a loan of Rs.6,00,000/- (Rupees Six Lakh) advanced by the plaintiff to the defendant(s) and the same was clearly reflected as recited in the MoU (Exhibit B-2). It is to be seen that said MoU was on a non-judicial stamp paper bearing document no.47663 and the no objection letter (Exhibit A-2) executed by the sons of the defendant was on Rs.100/- non-judicial stamp paper bearing document no.47662. Both the documents were dated 4.6.2002 and purchased from the same stamp vendor. The witnesses to both the documents were also one and the same. All these would probablise the defence of the defendant(s) that the agreement of sale was not a genuine transaction but was executed as a security for a loan transaction.

**11.** Although Exhibit B-1, the photocopy of the receipt executed by the plaintiff while receiving a sum of Rs.1,00,000/ (Rupees One Lakh) towards repayment of loan from the defendant(s), has been found not admissible and, hence, cannot be relied upon, yet the execution of the MoU (Exhibit B2) clearly makes out a very strong probable case to prove that the subject agreement was a sham and nominal document.

**12.** In a suit for specific performance, the conduct of the parties is significant as it assists the Court in evaluating the evidence to find out the *bona fides* of the parties at the time of execution of the agreement. Even a slight doubt in the mind of the Court that the plaintiff was not acting *bonafidely* and that the material facts, having bearing on the agreement, have been withheld in the agreement itself and from the Court also, the equitable and discretionary relief has to be denied. A plaintiff approaching the Court with uncleaned hands, like in the present case—the plaintiff having withheld the document i.e., MoU (Exhibit B-2), as the same was nowhere mentioned in the plaint, the present was a fit case for denial of relief of specific performance and the High Court has rightly allowed the appeal preferred by the respondent(s)/defendant(s) to set aside the judgment and decree passed by the Trial Court.

**13.** For the foregoing reasons, we do not find any substance in this Appeal. Hence, the Appeal fails and the same is, accordingly, dismissed.