

2026 LiveLaw (SC) 303

**IN THE SUPREME COURT OF INDIA
CIVIL APPELLATE JURISDICTION
AHSANUDDIN AMANULLAH; J., R. MAHADEVAN; J.
MARCH 17, 2026**

**CIVIL APPEAL NO. 6100 OF 2024
UNITED INDIA INSURANCE CO.LTD. *versus* SAYONA COLORS PVT. LTD.**

**CIVIL APPEAL NO. 10019 OF 2024
SAYONA COLORS PVT. LTD. *versus* UNITED INDIA INSURANCE CO.LTD.**

Consumer Protection – Insurance Claim – Fraud and Arson – Repudiation of Claim – The Supreme Court set aside the NCDRC order that had partially allowed an insurance claim despite evidence of fraud - held that once a claim is established to be founded on fraud, the entire claim collapses, and no relief partial or equitable can be granted - Key Findings: i. Deliberate Arson: Forensic analysis (Truth Labs) identified hydrocarbon residues (kerosene) at the seat of the fire, while electrical examinations ruled out a short circuit; ii. Fabricated Evidence: The respondent relied on invoices from non-existent or unrelated suppliers and manipulated VAT returns to inflate the claim; iii. Suspicious Proximity: The enhancement of insurance coverage and procurement of an additional policy occurred in close proximity to the fire incident, raising serious doubts about the bona fides of the claim; iv. Legal Principle: Fraud vitiates all solemn acts - An insurance contract cannot be used as an instrument for unjust enrichment - directed the Commissioner of Police, Ahmedabad, to form a Special Investigation Team (SIT) to investigate the orchestrated fraud. [Relied on *S.P. Chengalvaraya Naidu v. Jagannath* (1994) 1 SCC 1; *A.V. Papayya Sastry v. Government of Andhra Pradesh* (2007) 4 SCC 221; Paras 15-26]

For Appellant(s): Mr. A.K.De, Adv. Ms. Ananya De, Adv. Mr. Pramit Saxena, AOR Mr. Prashant, AOR Mr. Anuj Chauhan, Adv. Mr. S Surendra, Adv. Ms. Vedanshi Verma, Adv.

For Respondent(s): Mr. Prashant, AOR Mr. Anuj Chauhan, Adv. Ms. Akansha Singh, Adv. Mrs. Nisha Rai, Adv. Ms. Ananya De, Adv. Mr. Pramit Saxena, AOR

ORDER

CIVIL APPEAL NO. 6100 OF 2024

Heard learned counsel for the parties.

2. The appellant-Insurance Company is aggrieved by the order dated 04.12.2023 passed by the National Consumer Disputes Redressal Commission¹, New Delhi in Consumer Complaint No. 171 of 2012, whereby the complaint was partly allowed and the appellant was directed to pay a sum of Rs.3,33,63,642/- (Rupees Three Crores Thirty Three Lakhs Sixty Three Thousand Six Hundred and Forty Two) along with interest at the rate of 6% per annum from 08.07.2012, within a period of six weeks, failing which, the rate of interest would stand enhanced to 9% for the same period, and Rs.50,000/- (Rupees Fifty Thousand) was directed to be paid towards litigation costs.

3. The learned counsel appearing for the appellant submitted that the claim made by the respondent is fraudulent, being founded on a deliberate act of sabotage resulting in a fire in the respondent's godown. It was contended that the fire incident occurred on 25.03.2011, which the respondent attributed to a short circuit, pursuant to which a claim

¹ For short, "NCDRC"

of Rs. 28,20,65,797/(Rupees Twenty-Eight Crores Twenty Lakhs Sixty-Five Thousand Seven Hundred and Ninety-Seven) was raised for the alleged loss.

4. It was further submitted that the timing and quantum of insurance coverage assume significance. Initially, the respondent had obtained an insurance policy for Rs. 15,00,00,000/- (Rupees Fifteen Crores), which was enhanced to Rs. 19,00,00,000/- (Rupees Nineteen Crores) on 07.03.2011. In addition, another policy for Rs. 17,00,00,000/- (Rupees Seventeen Crores) was obtained for the period from 28.11.2010 to 27.11.2011. The fire incident occurred shortly thereafter on 25.03.2011, raising serious doubt regarding the *bona fides* of the claim.

5. The learned counsel further submitted that upon investigation, the surveyor opined that the fire was not caused by a short circuit, but appeared to a deliberate human act. This conclusion was further supported by an independent expert opinion obtained from Truth Labs.

6. It was also contended that the respondent claimed the existence of substantial stock allegedly procured shortly prior to the incident and after enhancement of the insurance coverage. However, upon verification, the agencies shown to have supplied the said material, were found to be either non-existent at the given addresses or were not engaged in the trade of the goods claimed to have been supplied.

7. It was further urged that the respondent relied upon a report of the Gujarat Forensic Science Laboratory (GFSL) which indicated the presence of ethyl alcohol, an inflammable substance. According to the appellant, the sample sent namely, parts of the switchboard, had already been burnt, thereby rendering the sample itself unreliable; therefore, the said GFSL report cannot be treated as conclusive.

8. It was submitted that a holistic evaluation of all attending circumstances is necessary to determine whether the fire was accidental or deliberate. In the present case, the proximity of procurement of material to the incident, enhancement of insurance coverage, and the discovery that the alleged suppliers lacked the capacity to supply such goods cumulatively establish that the claim is not genuine.

9. On the aspect of quantification, the learned counsel submitted that the surveyor's assessment of loss of Rs. 3,33,63,642/- (Rupees Three Crores Thirty Three Lakhs Sixty Three Thousand Six Hundred and Forty Two) merely reflects the extent of physical damage to the godown and cannot be treated as an admission of liability. It was contended that if the loss itself is consequence of a deliberate and fraudulent act, no claim under the policy would be maintainable, irrespective of the extent of damage. Accordingly, it was prayed that the impugned order passed by the NCDRC be set aside.

10. *Per contra*, the learned counsel appearing for the respondent submitted that during the subsistence of the insurance coverage, an accidental fire occurred on 25.03.2011 in the respondent's godown due to a short circuit. The incident was duly intimated to the appellant on the same day and was also recorded with the local police. It was contended that the respondent suffered a loss of Rs.28,20,65,797/- (Rupees Twenty Eight Crores Twenty Lakhs Sixty Five Thousand Seven Hundred and Ninety Seven) that the GFSL report conclusively establishes that the fire was accidental in nature.

11. In response to a query raised by this Court regarding the authenticity of the alleged suppliers, the learned counsel for the respondent submitted that the claim was made based on the actual supplies, and affidavits of such suppliers had been placed on record. However, it was submitted that the respondent had not independently verified the actual existence or credentials of such suppliers.

12. We have considered the rival submissions and perused the material available on record.
13. It is evident from the record that the present case involves a fraudulent insurance claim. The respondent enhanced the insurance coverage and procured an additional policy in close proximity to the incident, which raises serious doubt regarding the *bona fides* of the claim.
14. In this context, the Truth Labs Report establishes, through GC-MS analysis of fire debris, the presence of hydrocarbon residues consistent with kerosene in the area identified as the seat of the fire (Zones IX A and X A). Significantly, such traces were absent in samples collected from areas away from the origin of the fire. That apart, the presence of kerosene, a known fire accelerant, at the seat of the fire clearly indicates that it was introduced externally to initiate the fire, thereby ruling out an accidental cause and pointing toward deliberate arson for gain. Further, forensic examination of the electrical infrastructure such as power supply wires, switchboards, and lighting systems, revealed no evidence of short circuit or electrical malfunction. The absence of overheating, annealing, or bead formation in the wiring conclusively negates an electrical cause.
15. Additionally, the conduct of the respondent reinforces the inference of fraud. There was delay in furnishing samples and subsequent reliance on fabricated analytical reports, indicating a clear attempt to mislead the investigation. Thus, the forensic report concludes that the fire was the result of deliberate human intervention, with a strong likelihood of it being engineered for unlawful gain.
16. The Surveyor's report corroborates the above conclusions. It reveals material discrepancies between the VAT returns submitted by the Suppliers of the respondent and those filed with the Commercial Taxes Department. The alleged suppliers, in whose names' invoices were produced to substantiate the claim, were found to be non-existent or unrelated to the claimed transactions, and the invoices produced were evidently fabricated. Notably, the respondent failed to rebut these findings with credible material.
17. The investigation further discloses manipulation of accounts and records with a view to inflate the claim. Both the forensic and Surveyor reports unequivocally establish violation of policy conditions, warranting repudiation.
18. In view of the above, it stands conclusively established that the fire was not accidental but was the result of a deliberate and orchestrated act of arson.
19. Despite these categorical findings, the NCDRC proceeded to allow the claim in part merely on the premise that a fire incident had occurred. Such an approach is legally unsustainable, as it disregards the overwhelming evidence of fraud and deliberate misconduct on the part of the respondent.
20. It is a settled principle that fraud vitiates all solemn acts, and no person can be permitted to take advantage of his own wrong. In *S.P. Chengalvaraya Naidu v. Jagannath (1994) 1 SCC 1 : 1993 SCC OnLine SC 318*, this Court held that a judgment or decree obtained by playing fraud is a nullity in the eyes of law. Similarly, in *A.V. Papayya Sastry v. Government of Andhra Pradesh (2007) 4 SCC 221 : 2007 SCC OnLine SC 317*, it was reiterated that fraud vitiates all judicial acts, whether *in rem* or *in personam*.
21. Applying the aforesaid principles, we are of the considered view that once it is established that the claim itself is founded on fraud, the entire edifice of the claim collapses and no relief can be granted. Quantification of loss cannot override the foundational requirement of a genuine and *bona fide* claim.

22. There is no concept of partial or equitable relief in cases tainted by fraud. Courts and adjudicatory fora cannot grant compensation merely because some loss is shown to have occurred, when the claim itself is vitiated by fraudulent conduct. An insurance contract cannot be used as an instrument of unjust enrichment. The NCDRC therefore, fell into error in awarding Rs.3,33,63,642/- (Rupees Three Crores Thirty Three Lakhs Sixty Three Thousand Six Hundred and Forty two) towards the alleged loss sustained by the respondent.

23. In view thereof, we have no hesitation in holding that the respondent is not entitled to any amount under the policy, and the claim deserves to be rejected in toto.

24. Accordingly, the appeal is allowed. The impugned order passed by the NCDRC is set aside. The claim of the respondent stands repudiated. The appellant-Insurance company is absolved of any liability arising out of the said claim. The amount deposited by the appellant before the Registry of this Court shall be refunded to it, along with accrued interest, within a period of two weeks from today.

25. Before parting, we deem it appropriate to observe that fraudulent insurance claims involving staged incidents are not uncommon and have serious ramifications on the integrity of the insurance system and public confidence therein.

26. In view of the categorical finding of fraud committed in relation to the insurance claim by the respondent, we direct the Commissioner of Police, Ahmedabad, to constitute a Special Investigation Team (SIT) headed by an officer not below the rank of Deputy Commissioner of Police, to conduct a comprehensive investigation into the incident, including the persons involved in the alleged fraud. The investigation shall be completed within a period of three months from today and a report shall be submitted before this Court in a sealed cover. The Commissioner of Police, Ahmedabad, shall ensure full logistical and institutional support to the SIT and shall remain responsible for compliance with these directions.

27. The Registry is directed to list the matter on 21.07.2026 at 2.00 PM before the same Bench, treating it as a tied-up / parheard. A copy of this order shall be communicated to the Commissioner of Police, Ahmedabad, forthwith.

CIVIL APPEAL NO. 10019 OF 2024

In view of the order passed in Civil Appeal No. 6100 of 2024, of even date, the present appeal stands dismissed.

2. Pending application(s), if any, shall stand disposed of.

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