

## Life Insurance Corporation of India and another v. Gangadhar Vishwanath Ranade (dead) by LRs.

Civil Appeal No. 1979 of 1981

[1989] Supp. 1 SCR 97 | 1989-09-08

**Whether LIC could avoid interest liability for delayed policy payments by relying on a tax-recovery notice when it had itself delayed the prescribed sworn objection based on a prior registered assignment.**

226(1) | 226(3), particularly clauses (vi), (vii) and (x) | 281 (notice recital did not itself invalidate the assignment) | 244 (comparison only; not the governing basis of interest)

Two-judge bench | N.D. Ojha, J. | J.S. Verma, J.

Assessment years: See the source-scope notes; no year inferred.

### **Prescribed garnishee objection; fact-specific interest and source date discrepancy**

LIC's delay in making the truthful section 226(3)(vi) sworn objection justified compensation to the assignee. A notice or casual section 281 allegation did not itself invalidate the prior assignment. The 15% award was fact-specific, not a section 244 refund rate or a universal rule. The report refers both to 5 and 31 December 1975 as interest endpoints; no fresh computation is certified. Costs were Rs.2,000. Comprehensive later treatment and current-law/2025 mapping remain unverified.

### **01 FACTS OF THE CASE**

Four paid-up life policies were absolutely assigned by the insured to his wife in April 1969, and LIC registered the assignment. A January 1971 section 226(3) notice required LIC to remit money due to or held for the insured against his tax arrears. LIC told the assignee to obtain revocation, although it consistently accepted that the policy money was payable to her. The ITO also alleged that the assignment offended section 281. No competent authority had declared it invalid (physical pages 4–6 and 15).

The first two policies matured in September 1972 and December 1973, with paid-up amounts of Rs.3,415.70 and Rs.1,118.65. LIC paid the first amount to the ITO. Following earlier litigation and a Supreme Court direction, LIC made the section 226(3)(vi) statement on oath on 5 December 1975 for the remaining policies. Further proceedings preceded revocation of the notice in April 1977 and payment to the assignee. LIC then disputed interest liability. The present appeal arose from the High Court's award relating to the first two policies, with leave confined to interest; the last two policies were not awarded comparable interest (physical pages 4–9).

Source: See the proposition-specific paragraph and PDF-page references below.

## 02 DISCUSSION BY THE HON'BLE COURT

The Court construed the section 226(3) mechanism directly. A recipient objecting that money is not due to or held for the tax defaulter must use the prescribed statement on oath. Mere correspondence mentioning an assignment, or telling the assignee about the notice, does not perform that obligation. On LIC's consistently accepted position and the prior registered assignment, it should have made the sworn objection within a reasonable time instead of waiting for the assignee to secure a court order (physical pages 15–18).

The recovery notice and the ITO's casual reference to section 281 did not themselves invalidate the assignment. In this situation the sworn objection was the necessary next step so that the ITO could consider revocation. The Court rejected LIC's asserted fear of personal liability: clause (vi) addresses a statement false in a material particular, while a failure to comply or make the prescribed objection exposed LIC to the separate default mechanism. The statement eventually made was simply LIC's own longstanding account of whose money it held. The decision is not permission to make an untrue affidavit or disregard a recovery notice (physical pages 15–17).

The ITO was not a necessary party to this particular interest claim because relief was sought only against LIC and no alternative interest liability of the ITO was asserted. The earlier writ and appeal addressed the necessary sworn statement; the later writ was withdrawn after revocation enabled payment. Those events did not bar the subsequent dispute caused by LIC's refusal to pay interest after paying principal. These conclusions follow the actual reliefs and sequence, rather than a general rule dispensing with necessary parties or the consequences of withdrawal (physical pages 9–11).

The Court upheld 15% per annum as reasonable on this record, including the High Court's observation that LIC itself charged that rate and the absence of material warranting interference. Section 244 did not govern this compensation award and was invoked only as a suggested comparison. The Court also recorded the assignee's concession that she claimed nothing further from the ITO for the Rs.3,415.70 already paid to her by LIC; LIC could seek refund of its payment to the ITO with any interest payable on that refund. This was not a fresh determination that refund interest at 15% was due from Revenue (physical pages 9 and 12).

Source: See the proposition-specific paragraph and PDF-page references below.

## 03 JUDICIAL DECISION

LIC's appeal was dismissed with costs quantified at Rs.2,000. Interest compensation for its unreasonable delay in performing the section 226(3)(vi) obligation was upheld. The surviving interest dispute is stated in the judgment as covering the first two policies from their maturity dates to 31 December 1975; elsewhere the account of the High Court's reasoning ends with the sworn statement on 5 December 1975. The report does not reconcile those dates, so the note does not compute a fresh interest figure. LIC remained free, on the recorded concession, to obtain the separate ITO refund with interest, if any, legally payable (physical pages 7–9 and 18).

Source: See the proposition-specific paragraph and PDF-page references below.

#### 04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assignee/policy claimant against LIC

Appeal dismissed; interest award sustained; costs Rs.2,000

Final construction of the garnishee's prescribed objection duty and resulting fact-specific interest liability

No general 15% tax-refund entitlement; no compensation award against the ITO; no independent invalidation or affirmation of every assignment against section 281.

Source: See the proposition-specific paragraph and PDF-page references below.

#### 05 AKHB REVIEW POINT

When a garnishee consistently denies holding the defaulter's money, identify the statutory form of the objection and act within a reasonable time. Informal correspondence can leave both the recovery mechanism and payment to the true claimant unresolved. The assignment, the recipient's accepted position and the truth of the sworn statement are central to this decision.

Separate LIC's compensation to the assignee from any refund claim against the tax department. The upheld 15% rate was fact-specific, not a rate under section 244 or a universal recovery-delay rule. Preserve the source's 5/31 December 1975 endpoint discrepancy rather than manufacturing a computation. Later judicial treatment, current statutory text and 2025 mapping remain unverified.

Source: See the proposition-specific paragraph and PDF-page references below.

#### PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

**Topic:** Identity, limited grant of leave and policy amounts

**Source url:** [Open cited source](#)

**Pdf pages:** 1; 4

**Paragraphs:** Unnumbered body; SCR 97 and 100B-H

**Source role:** reported metadata and judicial text

2.

**Topic:** Assignment, notice and earlier proceedings

**Source url:** [Open cited source](#)

**Pdf pages:** 5; 6; 7; 8

**Paragraphs:** SCR 101-104

**Source role:** judicial text

3.

**Topic:** Refund concession and absence of need to implead ITO

**Source url:** [Open cited source](#)

**Pdf pages:** 9; 10

**Paragraphs:** SCR 105A–106A

**Source role:** judicial text

4.

**Topic:** Earlier writs and withdrawal did not preclude the later interest claim

**Source url:** [Open cited source](#)

**Pdf pages:** 10; 11

**Paragraphs:** SCR 106B–107G

**Source role:** judicial text

5.

**Topic:** Fact-specific 15% rate; section 244 not governing

**Source url:** [Open cited source](#)

**Pdf pages:** 11; 12

**Paragraphs:** SCR 107H–108D

**Source role:** judicial text

6.

**Topic:** Quoted statutory machinery and oath requirement

**Source url:** [Open cited source](#)

**Pdf pages:** 12; 13; 14; 15; 16; 17

**Paragraphs:** SCR 108D–113H

**Source role:** judicial text

7.

**Topic:** Final compensation rationale and dismissal with quantified costs

**Source url:** [Open cited source](#)

**Pdf pages:** 18

**Paragraphs:** SCR 114A–E

**Source role:** judicial text

## **JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS**

J.S. Verma, J.

## **ACT IDENTIFIED IN THE REVIEWED SOURCE**

Income-tax Act, 1961

## **SOURCE & VERIFICATION**

[Hon'ble Supreme Court source PDF \(reported judgment\)](#)

Identified source rendition: 18 PDF pages; SHA-256

526991b2cfabfdb13843b792f6b9297a65ead8b821898e1d24e32f8fdff2aa67. Original bytes preserved.

Complete unnumbered judicial body physical pages 4–18/SCR 100–114; editorial material on pages 1–4 distinguished. No adjacent judgment.

### Open cited source rendition

Physical page 7/SCR 103 describes interest to the 5 December 1975 sworn statement; page 8/SCR 104 repeatedly describes the surviving award through 31 December 1975. The report supplies no explanation; both are preserved and no new interest amount is calculated.; The earlier Supreme Court appeal has crowded typography and an ambiguous mark after 373 on physical page 6 (OCR: 3731of); physical page 10 clearly gives No. 373 of 1973. The page 6 reading is not certified as a definite printed docket discrepancy. This is procedural history, not the present Civil Appeal No. 1979 of 1981.; Physical page 7 prints 4 April 1971 in the account of the April 1977 revocation proceedings; physical page 11 consistently gives 4 April 1977. The complete chronology controls without altering the original.; The ITO letter alleging section 281 is dated 28 July 1972 in the initial body account and 28 August 1972 later. The note does not invent a reconciliation or treat the allegation as a final fraud determination.; The statutory quotation at physical page 13 limits false-statement personal liability to the lesser of the garnishee's own liability to the assessee and the assessee's tax liability. Later shorthand must not be used to erase that ceiling.; The assignee's concession concerning LIC's separate refund claim is not a judgment awarding 15% refund interest against Revenue.

### **STATUTORY SCOPE**

No automatic mapping to the Income-tax Act, 2025 or present-law certification. Apply the statutory text for the relevant year.

### **LATER TREATMENT**

Source checked 2026-10-04. No comprehensive later-treatment search is certified. Any actually checked later judgment or statute is expressly identified in this note.

### **IDENTIFIED SOURCE LINKS**

[reported judgment - PDF pages: 18](#)

SHA-256: 526991b2cfabfdb13843b792f6b9297a65ead8b821898e1d24e32f8fdff2aa67

### **AI DISCLOSURE**

AI-assisted research checked against the identified source. Extraction, interpretation or omission errors remain possible. Source review does not mean independent approval by a practising professional. Verify every material statement against the complete original judgment.

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