

2026 LiveLaw (SC) 69

**IN THE SUPREME COURT OF INDIA
CIVIL APPELLATE JURISDICTION**

J.B. PARDIWALA; J., K.V. VISWANATHAN; J.

SLP(C) No.24811 OF 2025; 16 January, 2026

VINEY KUMAR SHARMA *versus* THE IMPROVEMENT TRUST & ANR.

Public Auction – Duty of Disclosure – Failure to disclose pending litigation – Refund with Interest – The Supreme Court set aside a Punjab and Haryana High Court judgment that had dismissed a writ petition filed by an auction purchaser - The appellant had purchased property in an open auction conducted by The Improvement Trust, Ludhiana, but the Trust failed to disclose that the property was subject to a pending lawsuit - Held, it is the legal duty of authorities (such as banks, recovery officers, or state bodies) conducting public auctions to disclose all known encumbrances and litigation in the auction notice - Suppressing such material facts invalidates the sale and renders the auction fraudulent or vitiated by material irregularity - Public auctions must ensure fairness, objectivity, and be free from suspicion or bias - emphasized that restitution is a "moral imperative" and an inherent jurisdiction of every court to prevent unjust enrichment - An innocent auction purchaser who acts in good faith and pays hard-earned money should be restored to their original position if the auction lacks legitimacy - directed the Trust to refund the deposit of Rs.1,57,04,580/- with interest at 9% per annum from the date of deposit (19.07.2021) within six weeks – Appeal allowed. [Relied on Delhi Development Authority vs. Corporation Bank & Ors, [2025 LiveLaw \(SC\) 953](#); Paras 9 – 13]

[Arising out of impugned final judgment and order dated 09-12-2024 in CWP No. 32947/2024 passed by the High Court of Punjab & Haryana at Chandigarh]

For Petitioner(s): Mr. Aabhas Kshetarpal, AOR Mr. Dhiliban Varadarajan, Adv. Mr. Harsh N Dudhe, Adv.

For Respondent(s): Mr. Sanchar Anand, Adv. Mr. Apoorva Singhal, AOR Mr. Rajat Rathee, Adv. Mr. Aman Kumar Thakur, Adv. Mr. Pratimesh, Adv. Mr. Aman Bhardwaj, Adv. Ms. Nupur Kumar, AOR Ms. Muskan Surana, Adv.

ORDER

1. Leave granted.
2. This appeal arises from the judgment and order passed by the Punjab and Haryana High Court dated 09.12.2024 in CWP No. 32947 of 2024 by which the writ petition filed by the appellant herein came to be dismissed.
3. We need not state the facts giving rise to this appeal in detail as we are inclined to dispose of this appeal on a short point.
4. Our order dated 29.08.2025 speaks for itself. The same reads thus: -
 - “1. Delay condoned.
 2. Heard the learned counsel appearing for the petitioner.
 3. The petitioner herein purchased the subject property in an open auction conducted by the respondent no.1 herein namely “The Improvement Trust, Ludhiana” on 28.05.2021.
 4. It is not in dispute that he deposited an amount of Rs.1,55,00,000/- (Rupees One crore fifty-five lakh only) towards the purchase price of the subject property.
 5. Before the sale could be finalised and the sale certificate be issued, the respondent no.1 came to know about a suit of 2020 pending between itself & one Sushma Lata (a third party).

Accordingly, the respondent no.1 declined to execute the deed of conveyance in favour of the petitioner.

6. In such circumstances, referred to above, the petitioner went before the High Court with a writ petition seeking a writ of mandamus to the respondent no.1 to execute a conveyance deed of the Plot No. 22(F) situated Maharishi Balmiki Nagar, Ludhiana.

7. The High Court declined to entertain the writ petition and rejected the same saying that let the suit be first heard and decided expeditiously.

8. We can appreciate the precarious situation in which the petitioner herein has been put on account of non-disclosure of the fact that some litigation was pending on the date, when the subject property was put to auction.

9. Prima facie, we believe that it was not proper on the part of the respondent no.1 not to disclose about the litigation. 10. Be that as it may.

11. Today all that the petitioner wants is the refund of the entire amount with interest at a reasonable rate.

12. In such circumstances, referred to above and with the limited relief he is seeking, we should issue notice.

13. Issue notice to all the respondents, returnable within two weeks. 14. Dasti service, in addition, is permitted.”

5. We are very much disturbed to note that when the plot in question was put to auction by The Improvement Trust, Ludhiana (for short “the Trust”), the fact about pendency of litigation was not disclosed before the parties who offered their bids in the public auction.

6. It was the legal duty on the part of the Trust to have made it clear in the auction notice itself that the subject plot is a subject matter of litigation. Authorities (such as banks, recovery officers, or state bodies) conducting public auctions are legally required to disclose all known encumbrances and litigation relating to the property, as failure to do so invalidates the sale. Suppressing such material facts renders the auction fraudulent or vitiated by material irregularity.

7. Having not disclosed, the appellant herein bona fide participated in the public auction and was declared the highest bidder. He paid an amount of Rs.1,57,04,580/- (Rs. One crore fifty seven lakh four thousand five hundred eighty only) to the Trust. The said fact is not in dispute.

8. Whatever may be the subsequent developments in the form of dismissal of one of the suits, we do not approve the way the Trust proceeded with the auction of the plot in question.

9. Public auction is one of the modes of sale intending to get highest competitive price for the property. Public auction also ensures fairness in actions of the public authorities and their officers who should act fairly and objectively. Their actions should be legitimate. Their dealing should be free from suspicion. Nothing should be suggestive of bias, favouritism, nepotism or beset with suspicious features of underbidding detrimental to the legitimate interest of the stakeholders.

10. We may also refer to a very recent pronouncement of this Court in the case of *Delhi Development Authority vs. Corporation Bank & Ors* reported in 2025 LiveLaw (SC) 953 wherein this Court observed thus:

“30. We now address the position of the Auction Purchaser. In *Fibrosa Spolka Akcyjna v. Fairbairn Lawson Combe Barbour Ltd.*³, it was held that any civilized system of law is bound to provide remedies for cases of what has been called unjust enrichment or unjust benefit, that is, to prevent

a man from retaining the money of or some benefit derived from another which it is against conscience that he should keep. Such remedies in English law are generally different from remedies in contract or in tort, and are now recognized to fall within a third category of the common law which has been called quasi-contract or restitution. The aforesaid legal proposition was referred to with approval by a Two Judge Bench of this Court in Nagpur Golden Transport Company v. Nath Traders & Ors.⁴ The restitution therefore becomes not merely a legal device but a moral imperative. The principle of restitution flows from the very heart of justice that no one shall unjustly enrich himself at the instance of another and that those who suffered without fault should, so far as money can achieve, be restored to the position they once occupied. The jurisdiction to make restitution is inherent in every court and will be exercised wherever the justice of the case demands.

31. In the facts of the present case, the Auction Purchaser has been caught in the undertow of circumstances, not of its making. Among all the actors in this legal drama, it alone stands innocent. The Auction Purchaser entered the auction in good faith, placed its bid and deposited its hard-earned money in the belief that the law clothed the auction with legitimacy. The Auction Purchaser neither breached the covenant nor failed in diligence and did not seek to profit from the illegality. The restitution therefore becomes not merely a legal device but a moral imperative. It is this principle which in the facts of the case must guide the relief to the Auction Purchaser. The Bank having advanced the money of an illegal mortgage and having chosen to auction what it never lawfully possessed, bears the responsibility for the consequences.”

(Emphasis supplied)

11. In such circumstances, referred to above, we set aside the judgment and order passed by the High Court.

12. We direct the Trust to refund the amount of Rs.1,57,04,580/- (Rs. One crore fifty-seven lakh four thousand five hundred eighty only) with interest at the rate of 9% per annum from the date of the deposit i.e. 19.07.2021.

13. Let the amount referred to above be refunded within a period of six weeks from today without fail.

14. In the aforesaid terms, the appeal succeeds and is hereby allowed.