2026 INSC 1207

REPORTABLE

IN THE SUPREME COURT OF INDIA

CIVIL APPELLATE JURISDICTION

CIVIL APPEAL NO.....OF 2026
(@SPECIAL LEAVE PETITION (CIVIL) NO.30778 OF 2024)

YUSUF **...APPELLANT**

VERSUS

VIGYAPAN LOKE DELHI ADVERTISING CGHS LTD. **...RESPONDENT**

J U D G M E N T

VIKRAM NATH, J.

1. Leave granted.
2. The present appeal is filed against the judgment and final order dated 04.11.2024 passed by the High Court of Delhi in C.R.P. No.66 of 2020 whereby the High Court allowed the Revision Petition filed by the defendant-respondent and rejeceted the plaint filed by the plaintiff-appellant as barred by limitation. For convenience, the parties shall be referred to by their respective positions before the Trial Court.
3. Brief facts giving rise to the appeal are as follows:
   3.1. The original plaintiff, Wazir Hussain, instituted a suit under Order XXXVII of the Code of Civil Procedure, 1908 (for short, CPC) in 2014 seeking recovery of money due under a civil works contract dated 10.02.2000. The contract was entered into by the defendant-society (hereinafter referred to as 'defendant') for construction

work to be carried out by the original plaintiff in connection with a multi-story building in Mayur Vihar, Delhi. He relied on running bills raised between 2000 and 2003 to seek recovery of Rs. 11,16,000/- along with interest of Rs. 11,04,840/- calculated at 9% p.a., and *pendente lite* and future interest at the same rate until realization.

3.2. The defendant filed an application under Order VII Rule 11 CPC seeking rejection of the plaint. It contended, *inter alia*, that the suit was barred by limitation, did not disclose a cause of action and was not maintainable in view of alleged embezzlement.

3.3. By order dated 06.01.2020, the Trial Court rejected the application. The Court observed that the outstanding amounts were being reflected in the balance sheets of the defendant-Society for the years 2004, 2005 till 2013, which amounts to acknowledgment of debt consequently giving rise to a fresh period of limitation. It further noted that the other issues regarding maintainability and genuineness of bills were questions requiring evidence.

3.4. Aggrieved, the defendant preferred a revision petition before the High Court. It primarily contended that the suit instituted in 2014 in respect of transactions dating back to 2000 and 2003 was barred by limitation.

3.5. By the impugned order dated 04.11.2024, the High Court allowed the revision petition and rejected the plaint as being barred by limitation. It observed that the bank

statements relied upon by the plaintiff did not establish an acknowledgment of liability extending beyond 2005. It further noted that there was no balance sheet or any other document produced by the plaintiff showing any kind of acknowledgment.

3.6. Aggrieved, the legal heir of the original plaintiff is here before us.

4. We have heard the learned counsel appearing for the parties and examined the material placed on record.

5. The limited question before us is whether in the face of entries of defendant's balance sheets up to 2013, the suit could have been rejected at threshold as being barred by limitation.

6. It is not in dispute that the running bills relied upon by the original plaintiff pertain to the period from 2000 and 2003. The defendant had also issued cheques in favour of the original plaintiff, which were dishonoured. The plaintiff's case, however, is not founded solely on these transactions. He relies on the entries in the balance sheets of defendant-Society which as per him continued to reflect the amounts pertaining to the financial year 2004-05 up to the financial year 2012-13.

7. The original plaintiff contended that the continued reflection of these amounts in the Society's accounts, more particularly in the entry dated 31.03.2013, constituted an acknowledgment of liability. On this basis, he asserted that a fresh period of limitation began from the date of acknowledgment reflected in the balance sheet entries.

Therefore, the suit could not have been rejected as being time-barred.

8. The High Court took note of the bank entries relied upon by the original plaintiff, however refused to treat them as acknowledgment of amount due to be payable. It observed that the balance sheet as on 31.03.2013 reflected an amount of Rs.21,79,465/- under the head of sundry creditors pertaining to the year 2004-05, but it did not in any way indicate that the amount was due and payable to the original plaintiff. It similarly observed that the balance sheet for 2004-05 and the bank reconciliation statement which made a reference to the cheques issued in original plaintiff's favour, also did not record any acknowledgment of liability of the Society.

9. In order to understand the effect of the balance sheet entries of 2013, we have to turn to Section 18 of the Limitation Act, 1963. It states the following:

> "18. Effect of acknowledgment in writing.- (1) Where, before the expiration of the prescribed period for a suit or application in respect of any property or right, an acknowledgment of liability in respect of such property or right has been made in writing signed by the party against whom such property or right is claimed, or by any person through whom he derives his title or liability, a fresh period of limitation shall be computed from the time when the acknowledgment was so signed. …"

Simply stated, a written acknowledgment of a subsisting liability gives rise to a fresh period of limitation, commencing

from the date on which the acknowledgment is made. In effect, the period of limitation is renewed, or extended.

10. In *Asset Reconstruction Company (India) Ltd. v. Bishal Jaiswal*[1], a three-judge bench of this Court held that entries in books of account, including balance sheets, may constitute an acknowledgment of liability under Section 18 of Limitation Act. However, it also provided a caveat to the effect that the said entry must be assessed in the context of the balance sheet as a whole, including any qualifications or explanations contained in the accompanying notes or auditor's report.
11. The same principle was reiterated in *Axis Bank Ltd. v. Naren Sheth*[2] wherein this Court recognized that Section 18 of Limitation Act would apply in case of balance sheets acknowledging a debt.
12. In the present case, the original plaintiff relies on the defendant-Society's balance sheet for the year 2004-05 and the bank reconciliation statements for the same financial year. The latter explicitly records three cheques issued in favour of 'Wazir Hussain Contractor'. These entries directly connect the original plaintiff with the Society's financial records and transactions underlying the suit.
13. The plaintiff further relies on defendant-Society's balance sheets for the subsequent financial years wherein an amount of Rs.21,79,134/- continued to be carried forward under the head 'Balances pertaining to 2004-05'. As per him, the amount

[1] 2021 INSC 254.
[2] 2023 INSC 820.

claimed in the suit formed a part of the amount reflected in the balance sheets, read cumulatively with the cheques and bank reconciliation statements. As such, it constituted an acknowledgment of liability from 2005 onwards.

14. Section 18 of the Limitation Act does not require that an acknowledgment be made to the name of the creditor specifically or be drawn up using a fixed format, so long as it acknowledges a subsisting liability. The only requirement is that the acknowledgment, when read in conjunction with the other circumstances surrounding the transaction, must indicate a subsisting jural relationship. In the present set of facts, the surrounding circumstances amply support the claim of the original plaintiff that a liability existed, that it was reflected in defendant's own balance sheets and that the same continued to be carried forward to the year 2013, renewing the limitation period every year.

15. The above discussion is not to be read to mean that the entries conclusively establish that the entire amount as is claimed in the suit was owed to the original plaintiff. The precise relationship between the cheques issued, amounts carried forward and the sum claimed, *inter alia*, would require examination of evidence. These are matters for trial. At the stage of considering an application under Order VII Rule 11 CPC, the Court ought not to have gone into the depths of evidence and conclusively determined the non-existence of liability. It was required only to assess whether the plaint

disclosed a *prima facie* case on the basis of the material available.

16. The defendant's contention that a time-barred debt cannot be revived indefinitely, more particularly so in the absence of an application seeking condonation of delay, cannot be sustained. Since the entries constitute an acknowledgment under Section 18 of the Limitation Act, a fresh period of limitation would automatically run from each subsequent date of acknowledgment. In that event, there was no requirement for an application seeking condonation of delay.
17. In light of the above discussion, we are of the view that the High Court fell in error in allowing the defendant's revision petition and rejecting the plaint as being barred by limitation. The impugned order is accordingly set aside. The suit shall stand revived on the file of the Trial Court. All questions on the merits of the claim shall remain open.
18. The appeal is accordingly allowed.
19. Pending application(s), if any, shall stand disposed of.

.....J.
[VIKRAM NATH]

.....J.
[AUGUSTINE GEORGE MASIH]

.....J.
[SANDEEP MEHTA]

NEW DELHI;
NOVEMBER 06, 2026