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Liberty House Group PTE. Ltd. Vs State Bank of India & Ors

Brief Facts

In the aforesaid case, The Liberty House approached the high court, seeking permanent injunction against the State Bank of India from encashing the bid bond guarantees provided by the plaintiff when bidding for two companies Castex Technologies Ltd. and ARGL Ltd.

Both these companies entered CIRP, and in each case the CoC approved Liberty House as the winning bidder. On being approved as the winning bidder, the RP of each company asked Liberty House to also submit performance bank guarantees—Rs 100 crore in the case of Castex Technologies and Rs 60 crore for ARGL.

Liberty House, later on did not submitted the performance bank guarantees, thereby SBI, the lead lender for both Castex Technologies and ARGL invoked the bid bond guarantees, and received Rs 50 crore from Barclays Bank and Bank of Baroda. The Plaintiff approached the high court seeking permanent injunction.



Decision

- a.** The Delhi High Court rejected the plaint and held that the High Court lacks jurisdiction in the present case. Further, the plaint has clearly arisen in relation to the insolvency resolution of Castex Ltd. and ARGL Ltd. being CDs, Hence, Section 60(5)(c) of the Code is applied which provides that, "Notwithstanding anything to the contrary contained in any other law for the time being in force, the NCLT shall have jurisdiction to entertain or dispose of any question of law or facts, arising out of or in relation to the insolvency resolution or liquidation proceedings of the CD or corporate person under the Code" **[Para 21 N]**.
- b.** Section 63 of the Code also clearly lays down that no civil court shall have jurisdiction to entertain any suit or proceedings in respect of any matter on which NCLT has jurisdiction under this Code. Hence the high court has no jurisdiction in the questions raised in these suits arising out of insolvency resolution. **[Para 21 G]**.
- c.** The court reiterated that the initiation of suit is also barred by Section 231 of the Code which provides that "No civil court shall have jurisdiction in respect of any matter in which the Adjudicating Authority is empowered, by or under, this Code to pass any order. **[Para 21 G, N]**.

Link of the Order

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