

## **PRIVY COUNCIL**

Ma Pwa May

Vs.

S.R.M.M.A. Chettiar Firm

Privy Council Appeal No.102 of 1928

(Lord Atkin, Sir John Wallis CJ., Sir George Lowndes and Sir Binod Mitter. JJ)

25.07.1929

### **JUDGMENT**

#### **LORD ATKIN J.**

1. This is an appeal from, a decree of the High Court of Judicature at Rangoon. The plaintiffs are the mortgagees under a mortgage dated 13th March 1924, by which Maung Po Saung and his wife Ma Twe mortgaged to the plaintiffs for Rs. 20,000 four oil wells in the Yenangyaung oil field. The consideration for the mortgage is alleged to be a sum of Rs. 13,764, the balance of principal and interest on three promissory notes dated 25th June 1921, 25th November 1921 and 30th May 1923, for the sums of Rupees 7,700, Rs. 1,700, and Rs. 2,600 respectively, and made by the mortgagors in favour of the first named mortgagee and her husband. The second named mortgagee is Ma Pwa May's son. His wife is the niece of Maung Po Saung, one of the mortgagors. The further consideration, making up the total sum of Rs. 20,000, is alleged to be a present advance of Rupees 6,236 in cash. The mortgage was registered on 14th March 1924. There is no doubt that at the date of this mortgage the mortgagors were heavily indebted. One of their creditors was the respondent firm, who on 20th March 1924, instituted a suit against them to recover Rs. 13,295, principal and interest, due on two promissory notes dated 27th March 1923. On 13th May 1924, the respondents obtained an order before decree for the attachment of the mortgagors' property, including the four wells, the subject of the mortgage in question. On 10th June the appellants, the mortgagees, having demanded payment without success, brought the present suit against the mortgagors to enforce the mortgage. The respondent firm applied to be added as a party to the suit as a necessary party under Order 34, Rule 1, and on 6th September 1924, the District Judge made the order. A question was raised in the Courts below, but not before their Lordships, as to whether this order was

correct. Their Lordships must not be taken as expressing an opinion upon this matter. The respondents thus added as defendants put in a written statement by which they alleged that the mortgage deed was executed without consideration and for the purpose of defrauding the respondents. They also pleaded that the document was improperly stamped, and that in consequence the registration was invalid and the document was also inadmissible in evidence. The issues fixed by the District Judge on the first plea were;

1. Was the mortgage deed executed by the mortgagors and for valuable consideration?
  2. Was the mortgage deed executed in collusion with the plaintiffs for the purpose of defrauding the third defendant ?
2. The claim that the deed was void was based on Section 53, Transfer of Property Act, 1882, which provides that any transfer of immovable property made with intent to defeat and delay the creditors of the transferor is voidable at the option of any person so defeated or delayed. The learned District Judge, after hearing evidence, found that the deed was duly executed by the mortgagors, and the consideration was truly stated in the deed, i. e., that the promissory notes referred to were genuine notes on which the mortgagors were indebted to the mortgagees in the sums mentioned, and that the cash advance was in fact made. There appears to be no finding to the contrary by this Court, who nevertheless came to the conclusion that the mortgage was made with intent to defeat and delay the creditors. This finding appears to their Lordships to be inconsistent with what must be taken to be the fact that the mortgagees were actual creditors of the mortgagors. A debtor is entitled to prefer a creditor, unless the transaction can be challenged in bankruptcy, and such a preference cannot in itself be impeached as falling within Section 53;

"The transfer which defeats or delays creditors is not an instrument which prefers one creditor to another, but an instrument which removes property from the creditors to the benefit of the debtor. The debtor must not retain a benefit for himself. He may pay one creditor and leave another unpaid *Middleton v. Pollock [1876] 2 Ch. D. 104 : 45 L. J. Ch. 293*. So soon as it is found that the transfer here impeached was made for adequate consideration in satisfaction of genuine debts, and without reservation of any benefit to the debtor, it follows that no ground for impeaching it lies in the fact that the plaintiff, who was a loser by payment being made to the preferred creditor, there being in the case no question of bankruptcy.... The concurrent finding that the consideration for

the deed was real reduces the case to one in which the debtor has preferred one creditor to the detriment of another ; but this in itself is no ground for impeaching it under the section, even if the debtor was intending to defeat an anticipated execution by the plaintiff."

3. Their Lordships find it unnecessary to add anything to the above authoritative exposition of the law of Lord Wrenbury in giving the decision of the Board in *Musahar Sahu v. Hakim Lal* The plea of the respondents, therefore, on the merits failed.

4. It is necessary, however, to determine the issues raised by the objection to the stamp and the consequent objection to the registration. The point is highly technical and is as follows :- The mortgage was executed on a sheet which bore, not an ordinary revenue stamp, but Court-fee stamp. The stamp appears to be the ordinary impressed revenue stamp, but surcharged with the words "Court Fee" stamped over it. The amount of the stamp in this case is sufficient to satisfy the revenue requirements, but the respondents contend that the document is not "duly stamped" within the meaning of the Stamp Act, 1899. By Section 35 of that Act:

"No instrument chargeable with duty shall be admitted in evidence for any purpose by any person having authority to receive evidence or shall be acted upon registered or authenticated by any such person or by any public officer unless such instrument is duly stamped."

5. Hence, say the respondents, the document (a) could not be admitted in evidence; (b) could not have been validly registered, therefore was unregistered ; therefore, under section 49, Registration Act, of 1908 could not affect the immovable property comprised therein. This contention has been rejected by both Courts below, and their Lordships agree with their decision. What happened in the suit was that, before the respondents filed their written statement calling attention to the stamp objection, the plaintiffs applied to the Court for return of the mortgage-deed in order that they might apply to the Collector for rectification of the error. The District Judge found himself bound by Section 33, Stamp Act, to impound the document, and eventually by direction of the High Court it was forwarded to the Collector under Section 38(2) of the Act, who, on payment of a further duty of Rs. 100 and a penalty of Rs. 5, certified it to be duly stamped. It was then received in evidence, in the District Court. It follows that, in accordance with Section 36 of the Act, its admission could not be called in question at any stage of the suit on a stamp objection. The question of admissibility is thus disposed of.

6. The attention of their Lordships was called to the provisions of Section 37 which enables the Governor-General in Council to make rules providing that where an instrument bears stamps of sufficient amount, but of improper description,

"it may on payment of the duty with which the same is chargeable be certified to be duly stamped, and any instrument so certified shall then be deemed to have been duly stamped as from the date of its execution."

7. Their Lordships entertain no doubt that in pursuance of this section and the rules made there under (R. 16 of the Rules of 17th February 1899), the Collector would have been entitled in this case to exercise the powers given by the section. The contention to the contrary is that the section has no reference to any stamp except a revenue stamp pure and simple, and that a revenue stamp surcharged "Court-fee" is not within the meaning of the section a stamp of improper description. This appears to their Lordships to be putting too narrow a construction upon a remedial section, and their Lordships would not be prepared to assent to the opinion of the High Court of Allahabad in a reference under the Stamp Act 3, so far as it concerns Court-fee stamps in their present form. It is plain, however, that the Collector was not asked to exercise his powers under section 37, but under Section 38(2) and Section 40, (b). These sections do not contain the provision in Section 37 that the document when certified shall be deemed to have been duly stamped as from date of execution. It is necessary, therefore, to consider the objection to the registration on the ground that, when registered, the document was not duly stamped. The plaintiffs meet this objection by relying upon the terms of Section 87 Registration Act, which provides that:

"Nothing done in good faith pursuant to this Act, or any Act hereby repealed, by any registering officer, shall be deemed invalid merely by reason of any defect in his appointment or procedure."

8. In seeking to apply this section it is important to distinguish between defects in the procedure of the registrar and lack of jurisdiction. Where the registrar has no jurisdiction to register, as where a person not entitled to do so presents for registration, or where there is lack of territorial jurisdiction, or where the presentation is out of time, the section is inoperative : see *Mujibunnissa v. Abdul Rahim* On the other hand, if the registrar having jurisdiction has made a mistake in the exercise of it, the section takes effect. Their Lordships have no doubt that the mistake is an error in procedure. The prohibition against registration is included in Section 35, amongst similar prohibitions as to admitting in evidence and authenticating, which can only be regarded as procedure. The duty of the registering officer is to scrutinise the stamp

and pass an opinion on its adequacy, as he purports to do in this very document. It would be remarkable that, if he made a mistake of possibly a few annas on the amount of stamp required, and admitted a document to registration, it would be treated as having no effect years afterwards. Their Lordships are fortified in this view by former decisions of this Board. In *Sah Mukhun Lall Panday v. Sah Koondun Lall* the registrar had registered a deed of sale in the absence of the vendors contrary to the provisions of Section 36 of the Act. The Board held that, having once been presented for Registration, it was still in time for regular registration, though the first registration may have been invalid. There appears to have been an admission by the parties that the first registration was not valid. But the Board indicated an opinion that the first registration was validated by the provisions of Section 88 of the Act (now Section 87). Sir Barnes Peacock, in delivering the opinion of the Board, said:

9. In considering the affect to be given to Section 49, that section must be read in conjunction with Section 88, and with the words of the heading of part 10, "Of the Effects of Registration and Non-Registration," Now, considering that the registration of all conveyances of immovable property of the value of Rs. 100 or upward is by the Act rendered compulsory, and that proper legal advice is not generally accessible to persons taking conveyance of land of small value, it is scarcely reasonable to suppose that it was the intention of the legislature that every registration of a deed should be null and void by reason of a non-compliance with the provisions of Sections 19, 21 or 36, or other similar provisions. It is rather to be inferred that the legislature intended that such errors or defects should be classed under the general words "defect in procedure" in Section 88 of the Act, so that innocent and ignorant persons should not be deprived of their property through any error or inadvertence of a public officer, on whom they would naturally place reliance. If the registering officer refuses to register the mistake may be rectified upon appeal, under section 83, or upon petition under section 84, as the case may be; but if he registers where he ought not to register, innocent persons may be misled, and may not discover, until it is too late to rectify it, the error by which, if the registration is in consequence of it to be treated as a nullity, they may be deprived of their just rights.

10. The opinion there expressed was adopted by the Board in *Mohammed Ewaz v. Birj Lall* where two of the persons executing the deed admitted execution by themselves, but denied execution by the third party. The principle has been applied to registration of an insufficiently stamped deed by the High Court of Calcutta in *Sarada Nath Bhattacharya v. Gobinda Chandra Das* a decision of which their Lordships approve.

On this part of the case both the Courts below decided in favour of the plaintiffs, relying upon the decision of the High Court of Calcutta above cited.

11. Their Lordships are therefore of opinion that the plaintiffs were entitled to succeed in the suit. The appeal should be allowed. The decree of the High Court should be set aside, and the decree of the District Judge restored. Their Lordships will humbly advise His Majesty accordingly. The respondents must pay the costs of the appellants here and in the High Court.

Appeal allowed.

Cases Referred.

AIR 1915 PC 115 : 43 Cal. 521 : 43 I. A. 104 (P.C.).

[1900J 23 All. 233 : I. A. 15 : 7 Sar. 829 (P.C.).

[1875] 2 I.A. 210 : 24 W.R. 75 : 15 B.L.R. 228 : 3 Sar. 509 (P.C.),

[1877] 1 All. 465 : 4 I. A. 165 : 3 Sar. 735 (P.C.),

[1919] 23 C. W. N. 534 : 51 I. C. 88 : 29 C. L. J. 305