

## **PRIVY COUNCIL**

Toshanpal Singha

Vs.

District Judge, Agra,

P.C.A No.55 of 1931

(Lords Blanesburgh Alness and Sir John Wallis JJ.)

19.07.1934

### **JUDGMENT**

#### **LORD BLANESBURGH J.**

1. This is an appeal from a decree of the High Court of Judicature at Allahabad of 25th July 1928, confirming, with a modification in its amount, a decree of the Additional Subordinate Judge of Agra dated 14th August 1925.

2. The respondents, plaintiffs in the action in which these decrees were made, are members of the Committee of Management of the Balwant Rajput High School, Agra. The appellants, defendants to the action, are the sons of Thakur Dhianpal Singh, who was for many years secretary of the Committee. He died on 30th May 1923, the head of a joint undivided Hindu family.

3. The respondents in their plaint of 20th July 1924, claimed as sums to be paid by the appellants from the property left them by their father and also out of the joint family property in their hands, the sum of Rs. 86,863-4-2, or such other sum as might be found due to them from Thakur Dhianpal Singh. The Subordinate Judge, decreed the suit for a principal sum of Rupees 48,143-1-2. The High Court, on appeal reduced the principal amount decreed to Rs. 42,993-4-2, but otherwise confirmed the decree of the Subordinate Judge. The defendants again appeal. As a liability of Thakur Dhianpal Singh, the amount is, before the Board, no longer in debate. The extent of his liability was seriously in issue in both Courts below. As a result, the proceedings there were highly involved. The record is a forest of figures bewildering in meticulous but unconvincing detail. With the High Court's figure of Rupees 42,993-4-2 now accepted by the appellants as the measure of their deceased father's liability, this part of the case has ceased to be formidable. An analysis of the figure, a composite one, is however still necessary in order to ascertain to what extent it is a liability for which

the appellants can be made responsible. Upon this, the only question now at issue, the relevant facts have emerged with great clearness as a result of the elaborate judgments delivered by the learned Judges in India, and their Lordships are thereby enabled to state with comparative brevity their relatively simple findings upon which the decision of the appeal must depend.

4. In March 1915, the Government of India granted to the School Committee the sum of Rs. 90,000 for additions to and alterations of the school buildings. The grant was made on conditions, one of which was that the money, pending its final application, should be placed on deposit with the Bank of Bengal. As to Rs. 30,000 part of this grant, no trace, it appears, exists. Rs. 60,000, treated as representing the entire grant, is found in the hands of Thakur Dhianpal Singh in June 1916, and after being placed by him on fixed deposit for one year, it was on 15th August 1917 invested in War Loan repayable in three years. On repayment, Rs. 50,000 was, on 19th August 1920, placed by Thakur Dhianpal Singh on deposit with the Bank of Bengal, and Rs. 10,000 on current account in each case in his own name. On 16th October 1920, he reported to the Committee the repayment of the War Loan and proceeded as follows :

"I have consequently invested a sum of Rs. 50,000 in fixed deposit with the Bank of Bengal at 4 per cent per annum for one year, and Rs. 10,000 in a current call account. I request the formal sanction of the Committee. I further beg that the Committee may be pleased to authorize me to operate on the Account and draw the money, when necessary, to meet the "expenses of the brick kiln and the acquisition of other building materials."

5. The sanction and authority so asked for were granted by the Committee on the same day. An examination of the current account so opened is interesting. The account starts on 19th August 1920, with the credit of the Rs. 10,000. Drawings upon it, the purport of most of them can only be guessed, commence at once and continue until 19th August 1921, when the account is overdrawn to the amount of Rs. 51,026 6-2. On that date the Rs. 50,000 fixed deposit, with Rs. 2,000 interest accrued, is transferred to the credit of the current account, which was thereby put in credit to the extent of Rs. 973-9-10. This credit, except as to Rs. 64-4-1, was exhausted by drawings extending to 15th October 1921, The account then remained dormant until 29th December 1922, when it was formally closed by the balance of Rs. 64-4-1 being drawn out by Thakur Dhianpal Singh himself. No sums were ever paid into the account except the two of Rs. 10,000 and Rs. 52,000, respectively. Accordingly on its credit side, it was in result a separate account of the schools into which school moneys and no others were paid

by Thakur Dhanpal Singh, and it is substantially true to say that these moneys had by 15th October 1921, been entirely expended by him in one way or another. Drawings in his own favor on the account amount to over Rupees 34,000. It is convenient however at once to state that it does not follow that these drawings were in whole or in part applied by Thakur Dhanpal Singh to his own use or otherwise misappropriated. It could not have been regarded as impossible, if nothing more were shown with reference to them, that they were all ultimately applied by him for authorized purposes.

6. But, with both accounts in fact exhausted, Thakur Dhanpal Singh, on 19th May 1922, sent an important communication to the Committee. In it, after referring to a discussion on the plans and estimates " of the proposed alterations and additions to the school buildings," which at the instance of the Committee he had had with the executive engineer of the Agra Division, he concludes as follows :

"The estimate, according to the current Public Works Department rates, comes to Rs. 78,684, and to the District Board rates it comes to Rs. 73,459. But as far as I have calculated, I can get the entire thing done at a cost of Rs. 60,000 if the Committee authorize me and sanction the amount. I shall undertake to complete the buildings according to the plan at a cost of Rs. 60,000. The Committee has got in hand a sum of Rs. 70,000."

7. It is unfortunate that this communication was accepted by the Committee at its face value and without investigation or inquiry. As may be gathered from what has been already stated, the statement was little better than a tissue of falsehood. It represented the alterations and additions to the school buildings as being all still in the future, and it treated the Committee as having then in hand, presumably for the purpose of the alterations, a sum of Rs. 70,000, the facts being that apart from the missing Rs. 30,000 of Government grant, the Committee had never had any moneys in hand beyond those in the name of Thakur Dhanpal Singh, and that he had never treated himself in respect of that part as being accountable for any sum exceeding with interest Rs. 62,000. Nor was even that sum in hand. The whole of it had, except as to Rs. 64, had disappeared seven months before. The Committee however still implicitly trusted their secretary. On the same 19th May 1922, in response to his application, they resolved :

" That the Secretary be authorised to put in hand the alteration on the condition that the total amount expended does not exceed Rupees 60,000."

8. and here it is convenient to pause for a moment in order to ascertain the legal position of Thakur Dhanpal Singh in relation to these moneys so left by the

Committee in his charge.

9. He was entitled and empowered, as their Lordships think, to apply them, as in his discretion was proper, for any of the purposes which had been named by him and accepted by the Committee. As to the resulting balances, it was his duty to keep the moneys standing to the credit of one or other of the accounts referred to in his communication of 16th October 1920, until these were required for any of the purposes aforesaid.

10. With reference to these balances, he was under no further obligation, unless and until their application was otherwise directed by the Committee. No such direction was ever given. Accordingly if, and to the extent to which Thakur Dhianpal Singh withdrew these moneys and applied them for his own purposes, he was guilty, as from the moment of withdrawal of a criminal breach of trust. But until the moment of withdrawal he had been guilty of no breach of duty, civil or otherwise, in relation to them. It will be found that in this statement is disclosed the key to the solution of this appeal. The failure both of the learned Subordinate Judge and of the High Court to appreciate the situation, as thus stated, has led both Courts in India, as their Lordships very respectfully think, to a wrong conclusion.

11. Between 15th May and 30th January, 1923 Thakur Dhianpal Singh-he will in what follows be referred to as Dhianpal -drew cheques on the ordinary school account ostensibly for the expenses of the alterations and additions to the school buildings, these cheques in every instance being countersigned by successive Presidents of the Committee, Mr. J.R.W. Bennet and Mr. B. Bennet. In November 1922, for the first time, Mr. B. Bennet queried the signing of further cheques. Correspondence took place between him and Dhianpal. In the course of it, the secretary made the following statement:

"The construction of the building is being carried out in accordance with the plans through agency of contractors and occasionally labour on daily wages is engaged as well. For this work I have drawn the money in the manner I begged to put out in my letter of yesterday. An account of the money expended is kept in my office, separate from the other school accounts."

12. In his evidence at the trial, Mr. E. Bennett stated

"I was not aware at the time of this correspondence that there was any Government grant. There is no mention in the correspondence that any Government grant was given, and Thakur Dhianpal Singh concealed this fact

from my knowledge. He also concealed the fact that he had withdrawn about Rs. 60,000, which were in two deposits of Rs. 10,000 and Rs. 50,000, of the Building Fund, and although the Committee had limited him to the expenditure of Rupees 60,000, the cheques which he drew with the counter-signatures of Mr. J.R.W. Bennett and myself had been drawn beyond the sum of Rs. 60,000, and were being drawn not on any building fund provided by the Government, but on the ordinary school funds in deposit in the banks. After the death of Thakur Dhianpal Singh, I ascertained that he had drawn seven cheques for building purposes on ordinary school account; totalling Rs. 21,597-3-2 up to 20th January 1923....

"The complaint against Dhianpal Singh is that Dhianpal by misappropriating a portion this money and other sums detailed in the plaint, committed criminal breaches of trust."

13. After Dhianpal's death-which took place, it will be remembered on 30th May, 1923-an auditor was appointed to examine the accounts relating to the school building. This report was subsequently filed in the action by the respondents. It takes a very serious view of Dhianpal's transactions, and refers, passim, to his misappropriation of assets and embezzlement. The respondents also caused the work actually done upon the school buildings by Dhianpal Singh to be valued.

14. It will be found that the valuation so made was adopted by the learned Subordinate Judge and is one of the basic figures on which the liability of Dhianpal, as finally ascertained, is arrived at.

15. On 29th July 1924, the respondents instituted in the Court of the Subordinate Judge of Agra, the action already so frequently alluded to, and out of which this appeal arises. The claim therein made against the appellants has been already stated. The learned Subordinate Judge upon it found that Dhianpal had to account for Rs. 83,597.3.2, made up of the above sums of Rs. 52,000 Rs. 10,000, and Rs. 21.597-3-2. He valued the work done by Dhianpal at Rs. 35,454-2-0, and treating that as the sum for which credit had to be given, he held that Dhianpal's liability at the date of his death amounted to the Rs. 48,143-1-2, already mentioned, and that liability he held that the appellants, as his sons, were under a pious obligation to discharge. They had contended that the claim was in respect of moneys with regard to which their father was criminally liable for breach of trust, and that for such defalcations of his, they, his sons, were not liable. The learned Subordinate Judge, however, was of opinion that Dhianpal had not been guilty of any criminal breach of trust, so that this plea did not

avail the appellants.

16. In the High Court to which an appeal was taken by the appellants, the liability of Dhianpal was reduced as has been seen to a sum of Rs. 42,993-4-2. For that sum the appellants were held liable. The learned Judges reviewed the authorities on the question of the pious obligation of sons to discharge their deceased father's debts and, in the result, held that if there was first a civil liability on the father's part, followed by an act which transformed that liability into a crime, the sons were bound to meet the civil liability to the extent of the family property, their obligation, in that behalf, being in no way altered by the father's subsequent crime. Applying that conclusion to the facts, already stated, the learned Judges were of opinion that when Dhianpal, on 16th October, 1920, obtained authority to draw cheques upon the two accounts, there was nothing to show that he had then any dishonest purpose; but he did then become responsible to account for the whole Rs. 62,000, a civil liability which preceded his criminal misappropriations if any there were. It had been suggested that Dhianpal's actions had been infected with criminality from the outset. That had not been proved, nor was it likely. They believed that Dhianpal acted at first in perfect good faith and that it was not shown that he had subsequently been guilty of any criminal offence.

17. Their Lordships feel some surprise that on this question of criminality on the part of Dhianpal, none of the learned Judges attach any importance, nor indeed do they make any reference to the direct charge against him made in evidence by Mr. Bennett, nor to the conclusions, on that subject, of the accountant's report, which the Committee had put in evidence and made part of their case. Their Lordships of course quite recognise that the mere allegation of a criminal breach of trust, even on oath, is no evidence that it was committed, but it does seem strange that as against parties innocent themselves of all crime, it should be sought to establish a liability which would be non-existent if the only sworn allegation on the subject made on behalf of the plaintiffs were true. The point, however, ceases to be important, and any difficulty their Lordships might have had in dealing with two concurrent findings on this subject is removed, by reason of this, that before the Board the fact that Dhianpal had been guilty of a criminal breach of trust was not really contested by the respondents, and that he was so guilty (for what amount is another matter) seems to their Lordships to have been clearly established.

18. Before the Board, the respondents' case was put as follows : A father, it was said, who accepts a sum of money to be held for another, or to be applied in a certain way, comes at once under a liability, ex contract or quasi ex contract, although there may be

no right of action against him until he has been guilty of some breach of duty, and this right of action may be enforced against his sons, although it appears that ultimately the father has criminally made away with the fund. This contention was supported by elaborate citation of authority. On the other hand, it was contended by the appellants, in an argument supported also by a great array of cases, that there were debts of a father with a stigma far short of criminality attached, for which his sons are not liable. It was not suggested by the respondents that the sons of a deceased father were liable in respect of a claim against him for criminal breach of trust. Nor was it denied that ultimately Dhianpal had been guilty of such a breach.

19. It is unnecessary, in these circumstances, as their Lordships think, for the Board to go in this case into these questions of law, raised on either one side or the other. In view of the powers and duties prescribed for Dhianpal in relation to the Rs. 62,000, there was, as their Lordships have already shown, in relation to the moneys misappropriated by him, no antecedent duty in respect of which any similar liability was either created or survived. Up to the moment of misappropriation his only duty in respect of the moneys misappropriated had been completely fulfilled. He was, in relation to these moneys, guilty of a criminal breach of trust simpliciter, and the difficult and doubtful question of law ventilated by the respondents does not here, on the facts call for decision. Similarly, the question of law raised by the appellants need not, for the same reason, here be discussed.

20. But the question still remains, with a criminal breach of trust no longer in contest, what part of the Rs. 42,993-4-2, found to be due from Dhianpal, represents his criminal misappropriations. This point has not been discussed in either Court in India, and it is one upon which affirmative evidence is lacking.

21. First of all, as the credits allowed by both Courts to Dhianpal are in respect of the ascertained value of his expenditure upon the buildings, and not as they should have been in respect of its actual amount, it is impossible to say whether the whole, or what portion of the amount, actually adjudged due represents criminal misappropriation. Nor is there any affirmative evidence by reference to which that lacuna can be supplied. Again Dhianpal's actual drawings cannot, for reasons already given, be used to supply the missing figure : nor is there any other affirmative proof forthcoming from any other source. In these circumstances it appears to their Lordships that for want of better evidence the extent of these defalcations must be confined to a sum which is within the terms of an admission made by Dhianpal himself. This admission is to be found in a letter, perhaps the last letter written by him before his death. It is

addressed to Radhey Lal, clerk to the headmaster of the school on 30th March 1923, and after detailing his expenditure on the schools, amounting as he says to Rupees 41,206-15-8, Dhianpal proceeds:

"There is an amount of Rs. 66,976 outstanding against my name. To this amount add Rs. 4,248, received from other sources as detailed above. The total amount comes to Rs. 71,223-9-1, out of which deduct the total... amount expended, i. e., Rs. 41,206-15-8. Thus leaving a balance of Rs. 30,016-9-5. Please show this amount in my hand, which I shall account for latter on."

22. No accounts of this sum, or of any part of it, are forthcoming, and in the absence of any affirmative evidence as to the further extent of Dhianpal's misappropriations, this admission of his must, their Lordships think, be taken as the extreme measure of the amount for which the appellants can in this action claim immunity. With regard to the sum of Rs. 12,976-6-6, the difference between the Rs. 30,016-9-8, and the sum of Rs. 42,993-4-2 found by the High Court to be due from Dhianpal at his death, no case has been made by the appellants, and the burden is upon them, to show that, with respect to that liability of their father's they are not under a pious duty to discharge it.

23. It follows that this appeal should be in part allowed, and that the decree of the High Court of 25th July 1928, should be for the principal sum of Rs. 12,976-6-6 only.

24. and their Lordships will humbly advise His Majesty accordingly. As to costs, their Lordships think, that in the result, there ought to be no costs to either side in either Court in India, and the decree of 25th July 1928 must be further modified in that sense. The respondents must pay to the appellants five-sixths of their costs of this appeal.

Appeal allowed in part.