

SUPREME COURT OF INDIA

Leela Gupta

Vs.

State of U.P.

C.A.No.5564 of 2005

(Aftab Alam and R.M. Lodha JJ.)

31.08.2010

JUDGEMENT

R.M.Lodha, J.

1. Ganga Prasad Gupta--the deceased, the husband of the first appellant and father of second, third and fourth appellant, was killed in a motor accident on July 8, 1985. He was then aged 39 and was officiating Executive Engineer in the Irrigation Department, State of Uttar Pradesh. Had he lived, it would have been 18 years or so before he reached the age of superannuation (i.e. 58 years). After superannuation, he would have qualified for pension. His wife and three children filed a claim petition under Section 110A of the Motor Vehicles Act, 1939 (for short, 'the 1939 Act') before the Motor Accident Claims Tribunal, Mirzapur (for short, 'the Tribunal') against the respondents claiming compensation in the sum of Rs.7,00,000/-. His gross salary on the date of accident was Rs.2,680/- per month. The Tribunal held that deceased would have contributed Rs. 2,200/- per month (Rs. 26,400/- per year) to the family and by applying a multiplier of 18, reached the finding that the pecuniary loss to widow and children would be Rs. 4,75,200/- up to the age of his retirement. The Tribunal then deducted 1/3rd of the above considering the amount being paid in lump sum and uncertainty in life and by further deducting a sum of Rs. 40,000/- towards group insurance scheme, assessed compensation to the extent of Rs.2,76,800/-. An amount of Rs. 15,000/- having been already paid to the claimants towards no fault liability, the Tribunal in its Award dated February 24, 1987 held that claimants are entitled to a sum of Rs. 2,61,800/- and directed the respondents to pay the said amount with pendente lite and future interest thereon @ 9% per annum.

2. On appeal by the claimants, the High Court held that the claimants were entitled to Rs. 4,70,000/- as compensation along with 9% simple interest per annum from the date of the claim petition until the actual payment was made. The High Court considered the matter thus:

“.....Taking income of deceased at Rs. 2,700/- per month, the same can be assumed safely as Rs. 2700 X 2 = 5,400/- had the deceased lived. Now, 1/3rd is to be deducted being the amount spent on deceased himself towards his personal expenses, it gives us a figure of Rs. 3,600/- per month. Thus, the expected benefit to be derived by the claimants comes to Rs. 3,600 X 12 = 43,200/- per annum as contribution towards his family.

Taking into account the age of the deceased, we find that multiplier of 16 is available. The annual income of Rs. 43,200/- being multiplied by 16, comes to Rs. 6,91,200/-. However, considering imponderability and uncertainty of life, this amount is reduced by 1-3rd. It gives the figure of Rs. 4,70,000/- (on rounding).”

3. The conventional approach in England for over a century has been that the damages are to be assessed on the basis that the fundamental purpose of an award is to achieve as nearly as possible full compensation to the plaintiff for the injuries sustained. This rule has been accepted in fatal accident actions as well. The House of Lords in *Taff Vale Railway Co. v. Jenkins*¹ laid down the test that award of damages in fatal accident action is compensation for the reasonable expectation of pecuniary benefit by the deceased's family. The purpose of award of compensation is to put the dependants of the deceased, who had been bread-winner of the family, in the same position financially as if he had lived his natural span of life; it is not designed to put the claimants in a better financial position in which they would otherwise have been if the accident had not occurred. At the same time, the determination of compensation is not an exact science and the exercise involves an assessment based on estimation and conjectures here and there as many imponderable factors and unpredictable contingencies have to be taken into consideration. The statutory rule enacted in Section 110B of the *1939 Act (now Section 168 of the Motor Vehicles Act, 1988)* is award of 'just compensation'.

4. In *General Manager, Kerala State Road Transport Corporation, Trivandrum v. Susamma Thomas (Mrs.) and Ors.*² this Court extensively considered the English decisions as well as previous decisions of this Court and also the decisions of various high courts and laid down that the multiplier method is logically sound and legally well established and must be followed; a departure from which can only be justified in rare and extraordinary circumstances and very exceptional cases.

“In para 13 of the Report, this Court stated as follows:

"13. The multiplier method involves the ascertainment of the loss of dependency or the multiplicand having regard to the circumstances of the case and capitalizing the multiplicand by an appropriate multiplier. The choice of the multiplier is determined by the age of the deceased (or that of the claimants whichever is higher) and by the calculation as to what capital sum, if invested at a rate of interest appropriate to a stable economy, would yield the multiplicand by way of annual interest. In ascertaining this, regard should also be had to the fact that ultimately the capital sum

should also be consumed-up over the period for which the dependency is expected to last."

In para 17, it was further stated:

"17. The multiplier represents the number of years' purchase on which the loss of dependency is capitalised. Take for instance a case where annual loss of dependency is Rs. 10,000. If a sum of Rs 1,00,000 is invested at 10% annual interest, the interest will take care of the dependency, perpetually. The multiplier in this case works out to 10. If the rate of interest is 5% per annum and not 10% then the multiplier needed to capitalise the loss of the annual dependency at Rs.10,000 would be 20. Then the multiplier, i.e., the number of years' purchase of 20 will yield the annual dependency perpetually. Then allowance to scale down the multiplier would have to be made taking into account the uncertainties of the future, the allowances for immediate lump sum payment, the period over which the dependency is to last being shorter and the capital feed also to be spent away over the period of dependency is to last etc. Usually in English Courts the operative multiplier rarely exceeds 16 as maximum.

This will come down accordingly as the age of the deceased person (or that of the dependants, whichever is higher) goes up."

While dealing with the aspect of multiplicand, the Court stated that in ascertainment of the multiplicand many factors have to be put into the scales to evaluate the contingencies of the future."

5. The case of *Susamma Thomas*² arose out of the 1939 Act and the appeal was decided by this Court on January 6, 1993. The 1939 Act stood repealed by the *Motor Vehicles Act, 1988* (for short, 'the 1988 Act'). After decision of this Court in *Susamma Thomas*², the 1988 Act was amended and, inter alia, Section 163A was inserted along with the Second Schedule w.e.f. November 14, 1994. Vide Section 163A, the special provisions with regard to payment of compensation on structured formula basis were introduced in the 1988 Act and the Second Schedule provided for compensation for third party fatal accident/injury cases claims. Under the Second Schedule, the maximum multiplier could be upto 18 and not 16 as was laid down in *Susamma Thomas*². In *U.P. State Road Transport Corporation and Ors. v. Trilok Chandra and Ors.*³, a three- Judge Bench of this Court considered change in statutory provisions, particularly, insertion of Section 163A and Second Schedule in the 1988 Act and observed thus:

"17. The situation has now undergone a change with the enactment of the *Motor Vehicles Act, 1988*, as amended by *Amendment Act 54 of 1994*. The most important change introduced by the amendment insofar as it relates to determination of compensation is the insertion of Sections 163-A and 163-B in Chapter XI entitled "Insurance of Motor Vehicles against Third Party Risks".

Section 165-A begins with a non obstante clause and provides for payment of compensation, as indicated in the Second Schedule, to the legal representatives of the deceased or injured, as the case may be. Now if we turn to the Second Schedule, we find a table fixing the mode of calculation of compensation for third party accident injury claims arising out of fatal accidents. The first column gives the age group of the victims of accident, the second column indicates the multiplier and the subsequent horizontal figures indicate the quantum of compensation in thousand payable to the heirs of the deceased victim. According to this table the multiplier varies from 5 to 18 depending on the age group to which the victim belonged. Thus, under this Schedule the maximum multiplier can be up to 18 and not 16 as was held in *Susamma Thomas* case."

6. The short question presented in this appeal is whether the High Court was in error in reducing by 1/3 rd the compensation assessed after ascertainment of multiplicand capitalized with the multiplier of 16. But before we pass to the above question, we may notice two recent decisions of this Court, namely, (1) *Sarla Verma (Smt.) & Ors., v. Delhi Transport Corporation & Anr.*⁴ and (2) *Reshma Kumari & Ors. v. Madan Mohan & Anr.*⁵ In the case of *Sarla Verma*⁴, a two- Judge bench of this Court considered *Susamma Thomas*² and *Trilok Chandra*³; few other decisions, namely, *Abati Bezbaruah v. Geological Survey of India*⁶; *Fakeerappa & Anr. v. Karnataka Cement Pipe Factory & Ors.*⁷; *T.N. State Transport Corpn. Ltd. v. S. Rajapriya & Ors.*⁸; *New India Assurance Co. Ltd. v. Charlie & Anr.*⁹; *U.P.State Road Transport Corpn. v. Krishna Bala & Ors.*¹⁰ and *Oriental Insurance Co. Ltd. v. Meena Variyal & Ors.*¹¹ and also two English decisions - namely; *Davies & Anr. v. Powell Duffryn Associated Collieries Ltd.*¹² and *Nance v. British Columbia Electric Railway Co. Ltd.*¹³ and laid down certain principles relating to assessment of compensation in cases of death. While dealing with the aspect of future prospects, in paragraph 24 of the Report, it was stated as follows:- "In *Susamma Thomas* [(1994) 2 SCC 176] this Court increased the income by nearly 100%, in *Sarla Dixit* [(1996) 3 SCC 179] the income was increased only by 50% and in *Abati Bezbaruah* [(2003) 2 SCC 148] the income was increased by a mere 7%. In view of the imponderables and uncertainties, we are in favour of adopting as a rule of thumb, an addition of 50% of actual salary to the actual salary income of the deceased towards future prospects, where the deceased had a permanent job and was below 40 years. (Where the annual income is in the taxable range, the words "actual salary" should be read as "actual salary less tax"). The addition should be only 30% if the age of the deceased was 40 to 50 years.

"There should be no addition, where the age of the deceased is more than 50 years. Though the evidence may indicate a different percentage of increase, it is necessary to standardise the addition to avoid different yardsticks being applied or different methods of calculation being adopted. Where the deceased was self-employed or was on a fixed salary (without provision for annual increments, etc.), the courts will usually take only the actual income at the time of death. A departure therefrom should be made only in rare and exceptional cases involving special circumstances."

As regards deduction for personal expenses, this Court stated thus:

"Though in some cases the deduction to be made towards personal and living expenses is calculated on the basis of units indicated in Trilok Chandra [(1996) 4 SCC 362], the general practice is to apply standardised deductions. Having considered several subsequent decisions of this Court, we are of the view that where the deceased was married, the deduction towards personal and living expenses of the deceased, should be one-third (1/3rd) where the number of dependent family members is 2 to 3, one-fourth (1/4th) where the number of dependent family members is 4 to 6, and one-fifth (1/5th) where the number of dependent family members exceeds six."

With regard to multiplier in the cases falling under Section 166 of 1988 Act, this Court held that Davies method is applicable and set out the following Table:

Age of the deceased	Multiplier as specified in the Schedule to the MV Act	Multiplier actually used in Trilok Chandra	Multiplier envisaged in Susamma Thomas	Multiplier adopted by Charlie	Multiplier adopted by Chandra
Upto 15 yrs	15	20	15	20	15
15 to 20 yrs	16	18	16	19	21
20 to 25 yrs	15	17	18	17	18
25 to 30 yrs	14	16	17	18	17
30 to 35 yrs	13	15	16	17	16
35 to 40 yrs	12	14	15	16	15
40 to 45 yrs	11	13	14	15	14
45 to 50 yrs	10	12	13	13	12
50 to 55 yrs	9	11	11	11	10
55 to 60 yrs	8	10	9	8	8
60 to 65 yrs	8	8	8	8	6
Above 65 yrs	5	5	5	5	5

After setting out the aforesaid Table, this Court stated as follows:- "Tribunals/courts adopt and apply different operative multipliers. Some follow the multiplier with reference to Susamma Thomas [(1994) 2 SCC 176] [set out in Column (2) of the table above]; some follow the multiplier with reference to Trilok Chandra [(1996) 4 SCC 362], [set out in Column (3) of the table above]; some follow the multiplier with reference to Charlie [(2005) 10 SCC 720] [set out in Column (4) of the table above]; many follow the multiplier given in the second column of the table in the Second Schedule of the MV Act [extracted in Column (5) of the table above]; and some follow the multiplier actually adopted in the Second Schedule while calculating the quantum of compensation [set out in Column (6) of the table above]. For example if the deceased is aged 38 years, the multiplier would be 12 as per Susamma Thomas, 14 as per Trilok Chandra, 15 as per Charlie, or 16 as per the multiplier given in Column (2) of the Second Schedule to the MV Act or 15 as per the multiplier actually adopted in the Second Schedule to the MV Act. Some tribunals, as in this case, apply the multiplier of 22 by taking the balance years of service with reference to the retiring age. It is necessary to avoid this kind of inconsistency. We are concerned with cases falling under Section 166 and not under Section 163-A of the MV Act. In cases falling under Section 166 of the MV Act, Davies method is applicable."

We therefore hold that the multiplier to be used should be as mentioned in Column (4) of the table above (prepared by applying Susamma Thomas, Trilok Chandra and

Charlie), which starts with an operative multiplier of 18 (for the age groups of 15 to 20 and 21 to 25 years), reduced by one unit for every five years, that is M-17 for 26 to 30 years, M- 16 for 31 to 35 years, M-15 for 36 to 40 years, M-14 for 41 to 45 years, and M-13 for 46 to 50 years, then reduced by two units for every five years, that is, M-11 for 51 to 55 years, M-9 for 56 to 60 years, M-7 for 61 to 65 years and M-5 for 66 to 70 years."

7. In Reshma Kumari⁵, a two-Judge bench of this Court again noticed a long line of Indian and English cases, most of which were noticed in Sarla Verma⁴ (but Sarla Verma⁴ was not noticed) and in view of divergence of opinion to the question whether the multiplier specified in the Second Schedule should be taken to be a guide for calculation of the amount of compensation payable in a case falling under Section 166 of the 1988 Act referred the matter to the larger bench.

8. The issue whether the multiplier specified in Second Schedule for the purposes of Section 163A of 1988 Act could be taken to be guide for computation of amount of compensation in a motor accident claim case falling under Section 166 of the 1988 Act is not yet authoritatively decided and is pending consideration before the larger bench. Insofar as present appeal is concerned it arises out of a motor accident claim filed under Section 110-A of the 1939 Act and, therefore, the Second Schedule that refers to Section 163A of the 1988 Act may not be of much guidance. To revert to the question stated above, it must be stated immediately that deceased at the time of accident had settled and stable job in the Irrigation Department, Government of U.P. He was officiating as Executive Engineer and had fair chance of regular promotion to the post of Executive Engineer and Superintending Engineer in due course of time; he had about 18 years of service left before superannuation. He would have got annual increments etc. besides promotion during this period of 18 years. But vicissitudes of life cannot be ignored, he might not have lived up to that age; he might have been dismissed from service. In a fatal accident case, everything that might have happened to the deceased after the date of death remains uncertain. That his gross salary at the time of accident was Rs. 2680/-, is reflected from his last pay certificate. Having regard to the prospects of advancement and future career, the High Court assumed the income of the deceased at Rs. 5400/- per month by doubling the last gross salary and making it a round figure.

"The High Court then deducted 1/3rd amount towards his personal expenditure and arrived at a figure of Rs. 3600/- per month as the expected contribution by the deceased to the family and applying a multiplier of 16, assessed the dependency at Rs. 6,91,200/- but, however, made a further deduction by 1/3rd considering imponderability and uncertainty of life and thereby awarded a sum of Rs. 4,70,000/- only as compensation. We have seen that in Susamma Thomas² 100% increase to the income which the deceased was having at the time of accident was estimated as the gross income of the deceased. On the other hand, in Sarla Verma⁴ this Court prescribed the rule of thumb i.e., an addition of 50% towards future prospects where the deceased had a permanent job and was below 40 years. As regards deduction to be

made towards personal expenditure, in *Sarla Verma*⁴ this Court stated that where the deceased was married and where the number of dependant family members is 4 to 6 then 1/4th of the gross income should be deducted while in *Susamma Thomas*², the conventional 1/3rd of the gross income was deducted on that count in the absence of any evidence. Then as per Table set out in *Sarla Verma*⁴, if the age of deceased is 36 to 40 years, multiplier of 15 is applicable whereas in *Susamma Thomas*² the loss of dependency was capitalized on a multiplier of 12 (the deceased was 39 years of age). The question is whether value of dependency should be recalculated in this appeal. We do not think so. The High Court ascertained the multiplicand or in other words the value of dependency at Rs. 3600/- per month keeping in view the judgment of this Court in *Susamma Thomas*². In our opinion, it is neither proper nor desirable to recalculate the multiplicand at this distance of time in jurisdiction under Article 136 of the Constitution by applying the guidelines indicated in *Sarla Verma*⁴. The High Court has taken into account in ascertaining the multiplicand the guidelines laid down in *Susamma Thomas*² which, in our view, warrants no reconsideration. However, we think that capitalization of multiplicand on a multiplier of 16 is on the higher side and multiplier of 14 in the facts of the case such as the present one would meet the ends of justice. In this way, the appellants become entitled to Rs. 6,04,800/- as compensation which, in our opinion, is fair, just and equitable. Before we close, however, it has to be held and we hold that the High Court was clearly in error in reducing by 1/3rd the compensation assessed after ascertainment of multiplicand capitalized on a particular multiplier since the very method of ascertainment of multiplicand takes into consideration many factors of imponderables and the contingencies of the future. Once the multiplicand and multiplier are ascertained, the assessment of damages to compensate the dependants is arrived at by multiplying the two and no further deduction needs to be made towards uncertainties and other contingencies.”

9. In the result, the appeal is allowed in part and the compensation awarded by the High Court in the sum of Rs.4,70,000/- is enhanced to Rs. 6,04,800/-. The appellants shall also be entitled to 9% simple interest per annum on the enhanced amount from the date of filing of claim petition until the date of its actual payment. The parties shall bear their own costs.

¹ [1913] AC 1

⁴(2009) 6 SCC 121

⁷(2004) 2 SCC 473

¹⁰(2006) 6 SCC 249

¹³(1951) 2 All ER 448

²(1994) 2 SCC 176

⁵(2009) 13 SCC 422

⁸(2005) 6 SCC 236

¹¹(2007) 5 SCC 428

³(1996) 4 SCC 362

⁶(2003) 2 SCC 148

⁹(2005) 10 SCC 720

¹²(1942) 1 All ER 657