

BOMBAY HIGH COURT

Farkhundal Nannhay

Vs.

V.B. Potdar

Special Civil Appln. No. 1504 of 1959

(Chainani, C.J., Mody and Tarkunde, JJ)

18.08.1961

JUDGMENT

Chainani, C.J.

1. The petitioner was employed by the second respondent, which is a co-operative society registered under the Bombay Co-operative Societies Act, 1925. The petitioner made four applications to the Payment of Wages Authority for recovery of wages, retrenchment compensation and leave wages from the second respondent. It was contended by the second respondent before the Authority that it had no jurisdiction to entertain and try the applications made by the petitioner and that the only tribunal which was competent to try and decide the matters in dispute was the Registrar under Section 54 of the Co-operative Societies Act. This contention was accepted by the Payment of Wages Authority, which accordingly dismissed the four applications made by the petitioner. The petitioner then filed a special civil application before this Court, in which he contended that the view taken by the Authority was erroneous. The Division Bench, before which the application came up for hearing, has referred the matter to us for decision.

2. Section 54 of the Bombay Co-operative Societies Act provides that when a dispute touching the business of a society arises between members or past members of the society or between members or past members and any officer, agent or servant of the society or between the society or its committee, and any officer, agent, member or servant of the society, it shall be referred to the Registrar for decision by himself or his nominee. It has been held in several cases that the jurisdiction conferred by this section is exclusive and that disputes of the kind referred to therein can only be decided by the Registrar or his nominee. The second respondent therefore contends that as the dispute is between a co-operative society and its servant, it can only be decided under Section 54 of the Co-operative Societies Act. The petitioner, on the other hand, relies on Section 15(2) of the Payment of Wages Act, which has been made applicable to co-operative societies by

a notification issued by the State Government under Section 38 of the Bombay Shops and Establishments Act. Section 15(2) of the Payment of Wages Act provides as follows:

"Where contrary to the provisions of this Act any deduction has been made from the wages of an employed person, or any payment of wages has been delayed, such person himself, or any legal practitioner or any official or a registered trade union authorized in writing to act on his behalf, or a representative union registered as such under the Bombay Industrial Relations Act, 1946, or any Inspector under this Act, or any other person acting with the permission of the authority appointed under sub-section (1), may apply to such authority for a direction under sub-section (3) and in case of death of the employed person, it shall be lawful for his legal representative to make an application for such direction".

It is conceded that but for Section 54 of the Co-operative Societies Act, the applications made by the petitioner would be maintainable before the Payment of Wages Authority. The question which consequently arises for our decision, is whether a claim made by a servant of a co-operative society for wages against the society must be referred to the Registrar under Section 54 of the Co-operative Societies Act, or whether an application in respect of such claim can lie to the Authority under the Payment of Wages Act under Section 15(2) of this Act.

3. Mr. Singhvi, who appears for the petitioner, has raised three main points. He has first urged that a claim in regard to wages made by a Servant of a co-operative society cannot be said to touch the business of the society and that consequently such a claim cannot be referred to the Registrar under Section 54 of the Co-operative Societies Act. Section 22 of the Payment of Wages Act provided:

"No court shall entertain any suit for the recovery of wages or of any deduction from wages in so far as the sum so claimed-

.....

(d) could have been recovered by an application under Section 15".

Mr. Singhvi has argued that the jurisdiction of the Registrar to decide such matters is ousted by this section, as the word "suit" in this section would include any legal proceeding for the recovery of wages or any deduction from wages. The third contention of Mr. Singhvi is that the Payment of Wages Act confers substantial and substantive rights on employed persons, which can only be availed of by resorting to the special remedy provided in the Act, that is, by making an application under Section 15 of the Act and that consequently Section 54 of the Co-operative Societies Act will not apply in such cases. If there is a conflict between the two provisions, the former must prevail, as it is contained in an Act enacted by the Central Legislature.

4. In regard to the first point, the argument advanced is that the payment of wages or any sum

due to an employee cannot be said to relate to the business of a co-operative society. Dealing with the matter, apart from authority, it seems to us that there is no substance in this argument. The nature of business, which a society does, is to be ascertained from the objects of the society. But whatever the society does or is necessarily required to do for the purpose of carrying out its objects can be said to be part of its business. The word "touching" is also very wide and would include any matter which relates to, concerns or affects the business of the society. Every society must necessarily employ some servants for the purpose of carrying on its business. The payment of wages or any sum due to them under law is therefore part of the business of the society. In any case there can be no doubt that such payment would touch the business of the society.

5. Mr. Singhvi relied on an unreported decision of his Court in *Keshav Narayan Raote v. Bombay Catholic Co-operative Housing Society*¹, in which it was held that the claim in regard to retrenchment compensation made against a co-operative society did not touch the business of the society. The only reason, which the learned Judges have given for coming to this conclusion, is that "retrenchments compensation is a totally different thing from wages". It is true that retrenchment compensation is not ordinarily payable under the terms of contract or under the rules or by-laws of a co-operative society. But we do not think that any distinction can properly be made between an amount which is payable to an employee under the terms of this contract and an amount which is payable to him under any law which governs the terms of his employment. A dispute in regard to the payment of any sum, to which a worker is legally entitled, can therefore be said to touch the business of the society. With respect, it seems to us that the view taken in this case is not correct.

6. Mr. Singhvi referred to the decision of a single Judge of the Madras High Court in *South Arcot Co-operative Motor Transport Society Ltd. v. Syed Batcha*², that the claim for retrenchment compensation by a workman against a co-operative society would not come within the ambit of Section 51 of the Madras Co-operative Societies Act, (which corresponds to Section 54 of the Bombay Co-operative Societies Act), but could only be adjudged under the provisions of the Industrial Disputes Act. For the reasons, which I have given, it does not seem to us that merely because the amount claimed is not payable under the common law but is payable under the provisions of some statute, the claim or the dispute in regard to it cannot be said (not?) to touch the business of the society. Mr. Singhvi also relied on the observations of Mukharaji J. in *Co-operative Societies Union Ltd. v. State*³

"Strictly speaking, dispute between a co-operative society and its workmen does not relate to the actual business of a co-operative society and therefore does not touch the business of the co-operative society. Consequentially, however, a dispute between the co-operative society and its workmen may ultimately touch or affect the business of the co-operative society, I am inclined to think that the remote and the consequential result should not be included within the expression "any dispute touching the business of a co-operative society" The payment of wages to a person, who is employed by a society, in order to

enable it to carry on its business, cannot be said to be a remote consequence. It is the necessary consequence of the society's carrying on its business.

7. In *Madhava Rao v. Surya Rao*⁴, a Full Bench of the Madras High Court has held that the words "touching the business of a society" must be given their full import and that the dispute referred to in Section 51 of the Madras Co-operative Societies Act, need not directly arise out of the reference or relation to or concern with its business. The same view was taken by Chagla J., as he then was, in *G.I.P. Railway Employees Co-operative Bank Ltd. v. Bhikhaji*⁵, in which it was observed that the expression "touching the business of a society" in section 54 of the Bombay Co-operative Societies Act is very

¹ Special Civil Appln. No.903 of 1938

³(1958) 2 Lab LJ 61 : (AIR 1958 Cal 373)

² ILR 1961 Mad 483 : (AIR 1961 Mad 217)

⁴ ILR 1953 Mad 1047 : (AIR 1954 Mad 103)

⁵45 Bom LR 676 : (AIR 1943 Bom 341)

wide and that it means "affecting or relating to the business of the society". With respect, we agree with the view taken in these cases.

8. We are also not inclined to accept Mr. Singhvi's argument that the word "suit" in section 22 of the Payment of Wages Act includes any legal proceeding. The word "suit" is a term of art and ordinarily means a proceeding instituted in a civil Court by the presentation of a plaint. A proceeding under section 54 of the Co-operative Societies Act is not a suit and consequently section 22 of the Payment of Wages Act cannot operate as a bar to such a proceeding being taken.

9. In order to decide the third point raised by Mr. Singhvi, it is necessary to refer to some of the provisions of the Payment of Wages Act. Section 3 states that every employer shall be responsible for the payment to persons employed by him of all wages required to be paid under this Act. The proviso to this section is as follows:

"Provided that, in the case of persons employed (otherwise than by a contractor)-

(a) in factories, if a person has been named as the manager of the factory under clause (f) of subsection (1) of section 7 of the Factories Act, 1948, then the person so named and the employer jointly and severally;

(b) in industrial establishments, if there is a person responsible to the employer for the supervision and control of the industrial establishment, then the person so responsible and the employer jointly and severally;

(c) upon railways (otherwise than in factories), if the employer is the railway administration and the railway administration has nominated a person in this behalf for the local area concerned, then the person so nominated;

shall be responsible for such payment".

This section therefore imposes a liability for the payment of wages not only in the employer, but also on other persons, under whose supervision and control the employed persons work, such as

the manager of a factory. Section 4 requires an employer to fix wage periods and provided that no wage period shall exceed one month. Section 5 contains provisions regulating the time of payment of wages. Sub-section (1) of section 7 states that the wages of an employed person shall be paid to him without deduction of any kind except those authorised by or under this Act. Sub-section (2) of this section specifies the kinds of deductions which may be made. Sections 8 to 13 lay down the circumstances in which and the extent to which deductions may be made. Sub-sections (3) of section 15 states that after making inquiry the authority may direct the refund to the employed person of the amount of deducted or the payment of the delayed wages,

"together with the payment of such compensation as the authority may think fit, not exceeding 10 times the amount deducted in the former case and not exceeding 25 rupees in the latter". This sub-section empowers the authority to direct an employer to pay compensation to his worker for withholding his wages or making unauthorized deductions there from. Section 17 provides for an appeal against a direction made by the Payment of Wages Authority under section 15. The right given to the employer to appeal is, however, restricted to orders under which he is directed to pay a sum exceeding rupees three, hundred. Section 19 provides that if the amount directed to be paid to an employee cannot be recovered from any person, other than the employer, responsible under section 3 for the payment of wages, it may be recovered from the employer. Sub-section (1) of section 20 makes contravention of the provisions of sections 5 and 7 to 13 punishable with fine which may extend to two thousand rupees. Sub-section (1) of section 21 states inter alia that no Court shall take cognizance of a complaint against any person for an offence under sub-section (1) of section 20 unless an application in respect of the facts constituting the offence has been presented under Section 15 and has been granted wholly or in part by the authority of the Appellate Court.

10. It will, therefore, be seen that the Payment of Wages Act confers several substantive rights on workers. Some of these rights are such that they can only be secured by resorting to the remedy provided by the Act, viz., by making an application to the Payment of Wages Authority under section 15 of the Act. For instance, a worker can proceed against the person other than his employer, who is made responsible for the payment of his wages by Section 3 of the Act, only by making an application under Section 15(2) of the Act. Section 54 of the Co-operative Societies Act does not empower the Registrar to decide disputes between two servants of the society. As the person other than the society, who under section 3 is also responsible for the payment of wages to persons employed by the society, will also be an employee of the society, an employee claiming wages cannot seek relief against him under section 54 of the Co-operative Societies Act. Similarly an employee cannot in a proceeding under section 54 claim compensation from the society for non-payment of his wages or delay in the payment thereof. It is only the Payment of Wages Authority, to whom a power has been given under sub-section (3) of section 15 to award compensation in such cases. The Registrar cannot therefore exercise this power. No prosecution can also lie against a society for contravention of the provisions of sections 7 to 13,

unless an application has first been made under section 15. These rights conferred by the Payment of Wages Act on employees of co-operative societies can therefore only be enforced by making an application under section 15(2) of the Act. Section 54 of the Bombay Co-operative Societies Act, however, requires that all disputes between a society and its employees should be referred to the Registrar. This section, therefore, bars any other legal proceeding, including a proceeding under the Payment of Wages Act. To the extent to which section 5.4 of the Co-operative Societies Act imposes a bar on a proceeding being instituted under section 15 of the Payment of Wages Act, it is repugnant to that section. The latter provision, being contained in a Central Act, will prevail over the former. In other words, an application claiming wages can be entertained and tried by the Payment of Wages Authority. Section 22 of the Payment of Wages Act does not, however, bar a reference to the Registrar under section 54 of the Co-operative Societies Act. The remedy provided by section 15 of the Payment of Wages Act is not exclusive. It will consequently be open to an employee of a co-operative society to proceed against the society in respect of his claim for wages either under the Payment of Wages Act by making an application under section 15 of the Act or under section 54 of the Co-operative Societies Act by making an application to the Registrar in this behalf.

11. In this view the order made by the Payment of Wages Authority must be set aside. The applications made by the petitioner to that authority will be restored and the authority will be directed to proceed further with them and dispose of them in accordance with law.

12. The petitioner should get his costs from the second respondent.
Petition allowed.