

Even if the cheque was drawn in the firm's name and signed by only one partner, both partners were jointly and severally liable in case of its dishonour

The Supreme Court in the case of **Dhanasingh Prabhu vs Chandrasekar [Special Leave Petition (Criminal) No.5706 of 2024]** dated **July 14, 2025**, has ruled that a complaint under Section 138 read with Section 141 of the Negotiable Instruments Act, 1881 (NI Act), is maintainable against the partners of a firm, when the dishonoured cheque was issued from the firm's account and signed by one of its partners, even when the firm was neither served with a statutory notice nor arraigned as an accused.

The Apex Court also explained that the rules of vicarious liability applicable to corporate directors cannot be mechanically applied to partners of a firm. Since a partnership firm is not a juristic entity, and the partners are jointly and severally liable under the Indian Partnership Act, the Court held that there is no need to apply the doctrine of vicarious liability.

The appeal arises from a cheque dishonour complaint filed under Section 138 read with Section 142 of the NI Act against the partners of a firm, which was quashed by the High Court, holding that since no notice was sent to the firm and the firm was not made an accused, the complaint violated Section 141 of the NI Act.

On the issue of non-service of notice to the firm and its non-impleadment rendering the complaint as defective, the Supreme Court held that a partnership firm has no separate legal existence from its partners, and it is merely a collective name for all its partners. Therefore, issuing notice to both partners satisfies the statutory requirement under Section 138. Furthermore, the firm's acts, contracts, and obligations are those of its partners acting collectively, and when a partner signs a cheque in the name of the firm, that act is legally attributable to the individual partners themselves.

In the present case, although the cheque was drawn in the firm's name and signed by only one partner, both partners were jointly and severally liable because they represented the firm. Consequently, the Apex Court concluded that the failure to issue notice to the firm does not render the complaint invalid, so long as the partners are made parties and served with the statutory notice.

Link

https://api.sci.gov.in/supremecourt/2024/10776/10776_2024_5_1502_62289_Judgement_14-Jul-2025.pdf