

Mere allegations of fraud and lodging of an FIR shall not bar reference of the dispute to arbitration, if no chargesheet is filed and criminal proceedings have not started

The **Bombay High Court** in the case of **Mangal Credit and Fincorp Limited vs Ulka Chandrshekar Nair** [Arbitration Application (L) No. 29984 of 2023] dated October 01, 2025, has held that the disputes are still arbitrable under the Arbitration and Conciliation Act, 1996 (Arbitration Act) even though allegations of fraud and forgery were raised, if there was no progress in the criminal case.

The court observed that it is an admitted position that an FIR was lodged, but no chargesheet has been filed to date, and criminal proceedings have also not been started. Therefore, under such circumstances, it would be imprudent and speculative to accept the contention that merely because the FIR was registered, the parties must not be referred to the arbitration, especially when the said criminal case was filed against the partner of the Applicant, not directly against the Applicant.

The Court further held that merely because the Respondent has chosen to attack the Mortgage Deeds, which contain the arbitration clause inter alia on the ground of criminality, forgery, fraud, and pending FIR since 2023, the contractual obligations flowing from the said Mortgage Deeds cannot be disowned by the Respondent and discarded at this juncture. The Respondent's allegation of not being a signatory or being unaware of these deeds squarely falls within the scope of arbitrability under the Arbitration Act.

The court also observed that mere pendency of proceedings before the Debt Recovery Tribunal does not ipso facto bar the reference of a dispute to arbitration under section 11 of the Arbitration Act. It further observed that there is no legal bar preventing an arbitrator from deciding such questions, including challenges to the very arbitrability of the dispute.