

Merely signing a Board Resolution does not establish that a director was in charge of and responsible for the day-to-day affairs of a company, and therefore cannot by itself justify prosecution under Section 138 of the Negotiable Instruments Act

The **Supreme Court** in the case of **Saroj Pandey vs Govt of NCT of Delhi [2026 INSC 324] dated April 07**, has held that merely signing a Board Resolution does not establish that a director was in charge of and responsible for the day-to-day affairs of a company, and therefore cannot by itself justify prosecution under Section 138 of the Negotiable Instruments Act. The Court reiterated that liability of a director under Section 141 of the Negotiable Instruments Act requires a specific averment that the person was in charge of and responsible for the conduct of the company's business at the relevant time.

The Court observed that a Board Resolution is a document that is signed by the members of the Board of Directors for decisions taken or conclusions arrived at for matters placed before the Board for consideration and decision. This may be inter alia regarding hiring of personnel at management levels, acquisition or liquidation of assets affecting the overall position of the assets and liabilities of the Company or any other such major directional issue. This, however, does not in any manner mean that each and every member of the Board of Directors is aware of all decisions taken in the everyday transactions that are involved in running a business concern.

The Court emphasised that the statutory requirement is not satisfied merely by establishing the person's designation as a director, and that deemed liability cannot be inferred without specific factual assertions. The Court also noted that there was no direct allegation in the complaint against the appellant that she was in charge of, and responsible for the conduct of business of the company. Thus, the Court quashed the criminal proceedings initiated against the director in a cheque dishonour case, observing that there was no specific allegation demonstrating her active role in the conduct of the company's business.