

Dropping the cheque signatory from the array of accused does not invalidate prosecution against the company and its directors under the Negotiable Instruments Act

The **Delhi High Court** in the case of **GBL Chemicals Limited v. State of NCT of Delhi [CRL.M.C. 2155/2025]** dated **January 29, 2026**, has refused to quash criminal proceedings in a cheque dishonour case, holding that dropping the cheque signatory from the array of accused does not invalidate prosecution against the company and its directors under the Negotiable Instruments Act, 1881. The Court explained that dropping of the signatory of Cheques from proceedings, does not result in the automatic collapse of the Complaint against the Petitioner Companies and the other Directors. The statutory presumptions and the principles of corporate vicarious liability necessitate that the matter proceed to trial.

The Court dismissed a batch of petitions challenging summoning orders passed in multiple complaints involving dishonour of cheques amounting to over ₹21 crore, observing that the company is the principal offender under Section 138 of the NI Act, and the liability of directors under Section 141 is vicarious but independent of the continuance of proceedings against the cheque signatory.

The Court further observed that the liability under Section 138 is not restricted to the moment of signing. The offence under Section 138 is a “composite offence” that is completed only when the drawer fails to make payment within 15 days of the receipt of the legal demand Notice of the amount of dishonored Cheque. If a Director, who is the signatory, resigns before the cheque is presented, the Trial Court may, in its discretion, find that he was no longer “in charge of the affairs” at the time the offence (dishonor and nonpayment) was committed. However, this resignation does not grant amnesty to the Company or the Continuing Directors. The debt remains a corporate liability.

The Court further held that at the summoning stage, the Magistrate is not required to conduct a roving inquiry into the internal dynamics of the Board or the individual knowledge of each Director. If the Complaint contains the basic factual foundation that the Directors were in charge of the business, and the Company is also arrayed as an accused, the requirement of Section 141 is satisfied.