For purposes of Section 141 of the Negotiable Instruments Act, vicarious liability cannot be fastened merely on account of office or designation, and the complaint must disclose sufficient foundational facts showing the role of each accused in the conduct of the business of the company

The **Supreme Court** in the case of **Mansi Finance (Chennai) Ltd vs M. Lalitha [Criminal Appeal No. 2849 of 2026] dated May 26, 2026**, has asserted that, for purposes of Section 141 of the Negotiable Instruments Act, vicarious liability cannot be fastened merely on account of office or designation; the complaint must disclose sufficient foundational facts showing the role of each accused in the conduct of the business of the company or society at the relevant time.

However, it is clarified that while testing the complaint at the quashing stage, the Court must read it as a whole along with the documents forming part of it, and if such material prima facie reveals participation in the underlying transaction giving rise to the legally enforceable debt, continuation of prosecution is justified. Accordingly, quashing is warranted where the complaint contains only general assertions unsupported by transaction-specific material, but not where documentary material prima facie links the accused to the antecedent financial arrangements forming the substratum of the dishonoured cheque.

The Court reiterated that Section 141 of the NI Act creates vicarious criminal liability and therefore requires the complaint to disclose that the person sought to be prosecuted was in-charge of, and responsible to, the company or society for the conduct of its business at the relevant time.

Mere designation as an office bearer is insufficient, and a bald reproduction of statutory language without factual foundation cannot sustain prosecution. At the same time, the complaint must be read as a whole, and the Court is not required to insist on mechanical reproduction of the exact phraseology of Section 141 if the substance of the allegations and accompanying material disclose the factual basis for liability.

Applying this principle, the Court held that respondent nos. 1, 2 and 4 stood on a different footing because the complaint and accompanying documents prima facie connected them with the underlying transaction: the MoU bore the signature of respondent no. 1, the dishonoured cheque bore the signature of respondent no. 2, and the promissory notes and allied documents showed participation of respondent nos. 1, 2 and 4.