Agreements for sale executed by partners in their individual capacity, without reference to the firm, are therefore not binding on the firm; and a suit seeking declaration that such agreements are null and void is maintainable without seeking cancellation

The **Bombay High Court** in the case of **Abdul Karim Noor Mohammed vs Hotel Sultan Plaza [Writ Petition No. 1411 of 2025 (F)] dated April 29, 2026**, has held that where immovable property has been brought into the common stock of a partnership firm by a partner, such property becomes property of the firm, and an individual partner cannot unilaterally bind the firm or alienate that property unless the act is done in the firm's name or in a manner expressing or implying an intention to bind the firm in terms of Section 22 of the Partnership Act.

The Court clarified that agreements for sale executed by partners in their individual capacity, without reference to the firm, are therefore not binding on the firm; and a suit seeking declaration that such agreements are null and void is maintainable without seeking cancellation, since an agreement for sale does not create an interest in property.

The Court did not reopen facts under Article 227, while upholding the concurrent view that the property belonged to the partnership firm, the vendors acted only in their personal capacity, the firm was never bound under Section 22, and therefore the sale agreement and related MOUs were rightly declared null and void as against the firm.

The High Court accepted the concurrent findings that the suit property had been brought into the common stock of the partnership firm through the partnership documents and the mutation in survey records. It expressly held that there was no requirement of a registered document for the firm to acquire ownership of property contributed by a partner.

The Court observed that the impugned agreements were executed by Respondents Nos. 12 and 13 in their individual capacity, not in the name of the partnership firm, and there was no reference in those instruments showing an intention to bind the firm as required by Section 22 of the Partnership Act. The Court further noted that the transactions purported also to transfer the goodwill of the business, which it treated as an asset exclusively belonging to the firm and not capable of unilateral transfer by an individual partner.

On the petitioner's case that some partners had signed as witnesses and therefore had knowledge of the transaction, the Court accepted the trial court's finding that the signatures were not proved to be those of the partners and that the petitioner did not prove otherwise, including by expert evidence. The Court also held that the petitioner could not credibly deny knowledge of the firm's ownership because the survey/mutation records reflected the partnership firm's name, and even the mortgage history relied on by the petitioner indicated the firm's ownership.

On limitation, the Court held that the issue had in substance been addressed by the courts below: since the partners were found to have had no prior knowledge of the transaction, the suit could not be treated as time-barred before such knowledge arose. On the objection that a mere declaration suit without cancellation was not maintainable, the Court held that an agreement for sale does not create any interest in the property and therefore the respondents were not required to seek cancellation; a declaration of nullity was sufficient.