

Companies Act S. 630 – Quasi Criminal in Nature

Companies Act, 1956, Section 630 - Whether a petition under Section 630 of the Companies Act, 1956 is maintainable against the legal heirs of a deceased officer or employee for retrieval of the company's property - The provisions are quasi-criminal. They have been enacted with the main object of providing speedy relief to a company when its property is wrongfully obtained or wrongfully withheld by an employee or officer or an ex-employee or ex-officer or anyone claiming under them .

Abhilash Vinodkumar Jain v. Cox & Kings (India) Ltd., (1995) 3 SCC 732, Court examined whether a petition under Section 630 of the Companies Act, 1956 is maintainable against the legal heirs of a deceased officer or employee for retrieval of the company's property. In holding that it was so retrievable, this Court held:

15. Even though Section 630 of the Act falls in Part XIII of the Companies Act and provides for penal consequences for wrongful withholding of the property of the company, the provisions strictly speaking are not penal in the sense as understood under the penal law. The provisions are quasi- criminal. They have been enacted with the main object of providing speedy relief to a company when its property is wrongfully obtained or wrongfully withheld by an employee or officer or an ex-employee or ex-officer or anyone claiming under them. In our opinion, a proper construction of the section would be that the term "officer or employee" of a company in Section 630 of the Act would by a *deeming fiction* include the legal heirs and representatives of the employee or the officer concerned continuing in occupation of the property of the company after the death of the employee or the officer.

16. Under sub-section (1) of Section 630 for the wrongful obtaining of the possession of the property of the company or wrongfully withholding it or knowingly applying it to a purpose other than that authorised by the company, the employee or the officer concerned is "punishable with fine which may extend to one thousand rupees". The 'fine' under this sub-section is to be understood in the nature of 'compensation' for wrongful withholding of the property of the company. Under sub-section (2) what is made punishable is the disobedience of the order of the Court, directing the person, continuing in occupation, after the right of the employee or the officer to occupation has extinguished, to deliver up or refund within a time to be fixed by the court, the property of the company obtained or wrongfully withheld or knowingly misapplied. Thus, it is in the event of the disobedience of the order of the court, that imprisonment for a term which may extend to two years has been prescribed. The provision makes the defaulter, whether an employee or a past employee or the legal heir of the employee, who disobeys the order of the court to hand back the property to the company within the prescribed time liable for punishment."

(emphasis supplied)

Having so held, the Court did not construe the provision strictly, which it would have been bound to do had it been a purely criminal one, but instead gave it a broad, liberal, and

purposeful construction as follows:

“18. Section 630 of the Act provides speedy relief to the company where its property is wrongfully obtained or wrongfully withheld by an “employee or an officer” or a “past employee or an officer” or “legal heirs and representatives” deriving their colour and content from such an employee or officer insofar as the occupation and possession of the property belonging to the company is concerned. The failure to deliver property back to the employer on the termination, resignation, superannuation or death of an employee would render the ‘holding’ of that property wrongful and actionable under Section 630 of the Act. To hold that the “legal heirs” would not be covered by the provisions of Section 630 of the Act would be unrealistic and illogical. It would defeat the ‘beneficent’ provision and ignore the factual realities that the legal heirs or family members who are continuing in possession of the allotted property had obtained the right of *occupancy* with the employee concerned in the property of the employer only by virtue of their relationship with the employee/officer and had not obtained or acquired the right to *possession* of the property in any other capacity, status or right. The legislature, which is supposed to know and appreciate the needs of the people, by enacting Section 630 of the Act manifested that it was conscious of the position that today in the corporate sector — private or public enterprise — the employees/officers are often provided residential accommodation by the employer for the “use and occupation” of the employee concerned during the course of his employment. More often than not, it is a part of the service conditions of the employee that the employer shall provide him residential accommodation during the course of his employment. If an employee or a past employee or anyone claiming the right of occupancy under them, were to continue to ‘hold’ the property belonging to the company after the right to be in occupation has ceased for one reason or the other, it would not only create difficulties for the company, which shall not be able to allot that property to its other employees, but would also cause hardship for the employee awaiting allotment and defeat the intention of the legislature. The courts are therefore obliged to place a broader, liberal and purposeful construction on the provisions of Section 630 of the Act in furtherance of the object and purpose of the legislation and construe it in a wider sense to effectuate the intendment of the provision. The “heirs and legal representatives” of the deceased employee have no independent capacity or status to continue in occupation and possession of the property, which stood allotted to the employee or the officer concerned or resist the return of the property to the employer in the absence of any express agreement to the contrary entered with them by the employer. The court, when approached by the employer for taking action under Section 630 of the Act, can examine the basis on which the petition/complaint is filed and if it is found that the company’s right to retrieve its property is quite explicit and the stand of the employee, or anyone claiming through him, to continue in possession is baseless, it shall proceed to act under Section 630 of the Act and pass appropriate orders. Only an independent valid right, not only to occupation but also to possession of the property belonging to the company, unconnected with the employment of the deceased employee can defeat an action under Section 630 of the Act if it can be established that the deceased employee concerned had not wrongfully nor knowingly applied it for purposes other than those authorised by the employer. In interpreting a beneficent provision, the court must be forever alive to the principle that it is the duty of the court to defend the law from clever evasion and defeat and prevent perpetration of a

legal fraud.”