



Fraud, Forgery, and the Limitations of Arbitration in Bentwood Seating System (P) Ltd. v. Airport Authority of India & Ors. 11.03.2025

(MANU/DE/1601/2025; 2025: DHC:1636)

**When fraud is at the core of a
dispute, arbitration may not be the
proper forum for resolution**

Context and Background

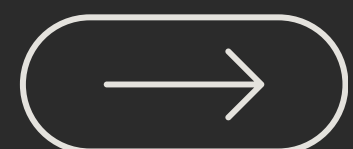
This case raises critical issues regarding the impact of fraudulent misrepresentations on both contractual validity and the enforceability of arbitration clauses.

The dispute originates from a tender issued by the Airport Authority of India for the supply and comprehensive annual maintenance of 4000 stainless steel passenger baggage trolleys. Bentwood Seating System (P) Ltd. submitted its bid, asserting that it was the Indian associate of Suzhou Jinta Metal Working Company Limited (SJM), a reputed foreign manufacturer. To comply with the tender requirements, the appellant provided Satisfactory Performance Certificates (SPCs) allegedly issued by Heathrow Airport and Noi-Bai International Airport, along with an authorization letter from SJM.

Communications from the purported issuing authorities indicated that no such certificates had been issued, thereby suggesting that the documents might have been fabricated. The matter was initially referred to Arbitration as per the contractual dispute resolution mechanism.

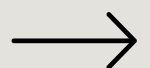


However, the seriousness of the fraud allegations ultimately led the Delhi High Court to intervene. In its judgment on **March 11, 2025**, the Court ruled that the fraudulent acts were so grave that they compromised the integrity of the entire contract, including the arbitration agreement, and as such, the dispute should be resolved by the civil courts rather than through arbitration.



Chronology of **Key Events**

| Date | Heading | Details |
|-----------------------------|-------------------------|---|
| 30 June 2017 & 13 July 2017 | LOI & PO Issued | AAI issues a Letter of Intent followed by a Purchase Order. An agreement is signed, and Bentwood provides a bank guarantee of Rs. 17,30,124.31. |
| 31 October 2017 | Complaint Received | A complaint is received from M/s GILCO Exports India, stating that Heathrow Airport never issued any SPC to SJM, raising doubts about the documents. |
| 2 November 2017 | Tender Issuance | The Airport Authority of India (AAI) issues a tender (Tech 06/2017) for the supply and annual maintenance of 4000 stainless steel passenger baggage trolleys. |
| 2 November 2017 | Bid Submission | Bentwood Seating System (P) Ltd. submits its bid. It claims to be the Indian associate of Suzhou Jinta Metal Working Company Limited (SJM) and provides SPCs, which are said to have been issued by Heathrow Airport (UK) and Noi-Bai International Airport (Vietnam), along with an authorization letter from SJM. |
| 28 March 2018 | Heathrow Email | An email from Heathrow Airport confirms that they do not recognize the SPC, or the contact details provided. |
| 4 September 2020 | Noi-Bai Email | Noi-Bai International Airport sends an email stating that the SPC they supposedly issued is not genuine. |
| 26 October 2021 | Criminal Complaint | A criminal complaint is filed against the Appellant (Bentwood) for document forgery. |
| 11 March 2025 | Delhi High Court Ruling | The Delhi High Court rules that the serious fraud allegations affect the integrity of the entire contract and the arbitration clause, and hence the dispute is non-arbitrable and should be decided by the civil courts. |





FILAC Analysis

A. FACTS

- The Appellant (Bentwood Seating System) submitted its bid along with documents (SPCs and an authorization letter) to show it was eligible as an associate of SJM.
- A complaint filed on 31 October 2017 claimed that the SPC from Heathrow was never issued.
- Later, an email from Heathrow on 28 March 2018 and a confirmation from Noi-Bai on 4 September 2020 supported the claim that the documents were fake.

B. ISSUE

The main issue is whether the serious fraud allegations specifically, the submission of fake or forged SPCs and an authorization letter are so grave that they invalidate the whole contract, including the arbitration agreement. In other words, should this matter be decided by the courts instead of through arbitration?



C. LAW

Arbitration and Conciliation Act, 1996:

The Act shows that an arbitration agreement is usually final. However, if the subject matter of a dispute is not suitable for arbitration, the courts can set aside an arbitral award. Provisions under Sections 5, 16, 34, and 48 are important here.

Indian Contract Act, 1872 - Section 17:

This section defines “fraud” to include acts like misrepresentation, concealment of important facts, and promises made without the intent to perform. The key question is whether Bentwood’s submission of the disputed documents fits this definition of fraud.

D. ANALYSIS

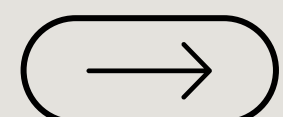
- **Seriousness of the Fraud Claims:**

The evidence suggests that Bentwood did not simply make an error. Instead, it appears to have deliberately used fake documents to secure the tender. Conflicting responses from Heathrow and Noi-Bai, along with SJM’s reluctance to confirm the authorization, point to serious fraud.

- **Arbitration vs. Court:**

The appointed arbitrator noted that checking international documents and calling witnesses from countries like the UK and Vietnam is very challenging. This situation makes it difficult for an arbitration panel, which has fewer powers than a court, to handle the dispute. Therefore, previous cases such as *A. Ayyasamy v. A. Paramasivam* (2016 INSC 948;

MANU/SC/1179/2016) and *N. Radhakrishnan v. Maestro Engineers* (2009 INSC 1195; *MANU/SC/1758/2009*) have shown that when fraud touches on the entire contract and arbitration agreement, the issue should be resolved in civil courts.





- **Delhi High Court (DHC) Decision for Context:** The DHC, in its judgment on 11 March 2025, held that the fraud allegations are so severe that they impact the whole contract. The court pointed out that the difficulty in calling overseas witnesses and verifying documents makes it more practical for a civil court to decide the matter. This decision follows similar reasoning in earlier cases and emphasizes that a private tribunal is not suited to handle such complex fraud issues.

E. CONCLUSION

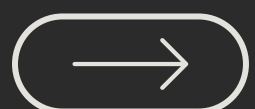
In view of the full record and the law, the Delhi High Court decided that the fraud committed by Bentwood by using fake SPCs and an authorization letter taints the whole contract and the arbitration clause. Thus, the dispute is non-arbitrable and should be decided by the civil courts. The appeal by the Appellant was dismissed.

Practical Limitations of Arbitration

Arbitration is a useful way to settle disputes, but it has limits. In this case:

- The arbitral tribunal found it difficult to verify documents from foreign airports.
- It was challenging to summon witnesses from countries like the United Kingdom and Vietnam.
- The tribunal does not have the same powers as a court to get help from government agencies.

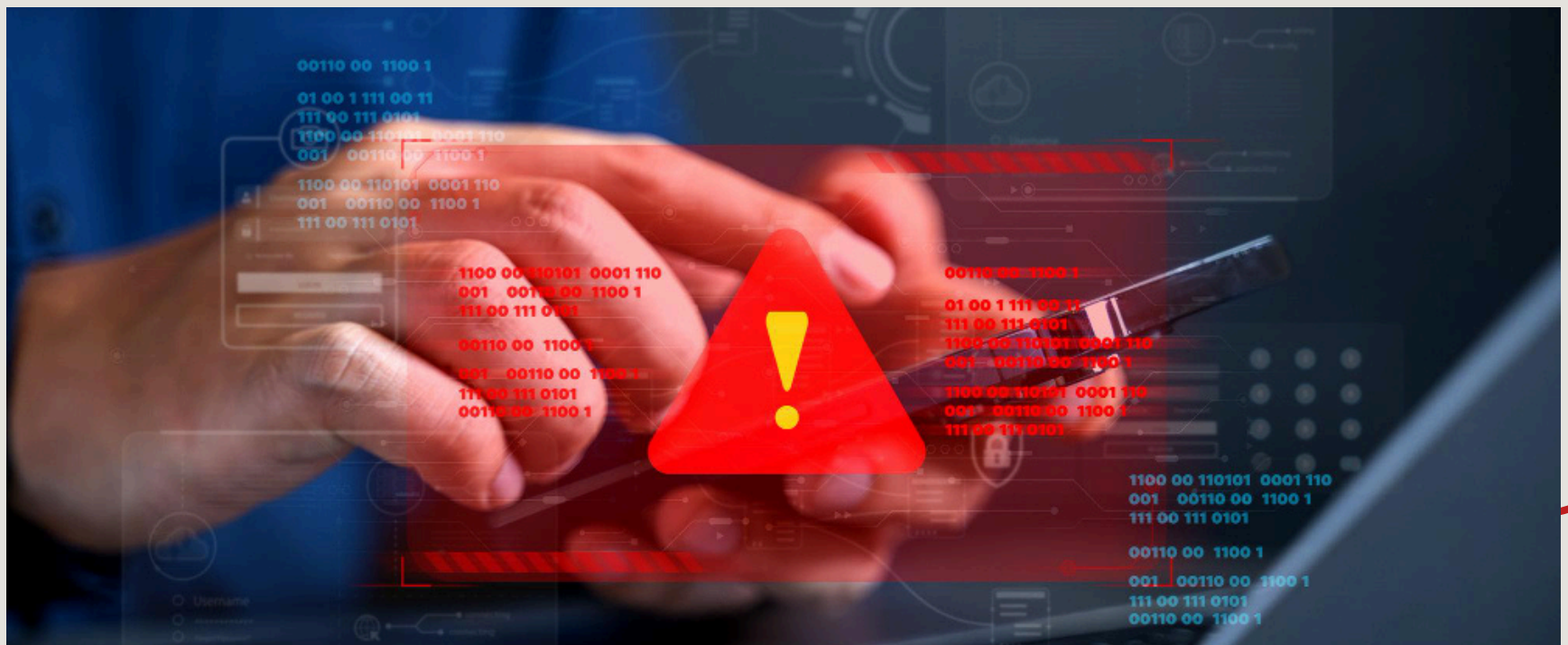
These factors mean that when a case involves complex international evidence and serious fraud, civil courts are better equipped to handle the matter.



Judicial Precedents on **Fraud and Arbitration**

Several key cases have shaped the approach to fraud in arbitration:

- **A. Ayyasamy v. A. Paramasivam**: (2016 INSC 948; MANU/SC/1179/2016). The court held that when fraud is serious enough to affect the entire contract, including the arbitration agreement, the matter should be dealt with by a civil court.
- **N. Radhakrishnan v. Maestro Engineers** (2009 INSC 1195; MANU/SC/1758/2009). This case further clarified that if fraud touches on public matters and goes beyond internal issues, it should not be resolved by an arbitrator.



- **Delhi High Court Decision (March 11, 2025)** (2025: DHC:1636; MANU/DE/1601/2025). In this decision, the court explained that the fraud allegations in the present case are so severe that they render the contract void, including the arbitration clause. The court emphasized that civil courts are better placed to summon international witnesses and verify disputed documents.