2022 INSC 454

REPORTABLE

IN THE SUPREME COURT OF INDIA
CIVIL APPELLATE JURISDICTION

CIVIL APPEAL NO. 3001 OF 2022
(Arising out of Petition for Special Leave to Appeal (Civil) No. 4881 of 2021)

Hyundai Motor India Limited ....**Appellant(s)**

Versus

Shailendra Bhatnagar ......**Respondent(s)**

J U D G M E N T

ANIRUDDHA BOSE, J.

Leave granted.

2. The appellant are manufacturers of vehicles and the present appeal arises out of a complaint made by the respondent concerning defect in a vehicle, particularly in relation to its safety

features originating from the appellant, of the model Creta 1.6 VTVT SX+. The vehicle came with two front airbags. Purchase of the vehicle was made on 21st August 2015. It met with an accident on the Delhi-Panipat highway on 16th November 2017 resulting in substantial damage to its RH front pillar, RH front roof, side body panels, front RH door panels and LH front wheel suspension. The initials RH and LH appears to be used as short forms of Right Hand and Left Hand sides of the vehicle. At that point of time, the complainant (being the respondent herein), his mother and daughter were in the vehicle. The airbags of the vehicle did not deploy at the time of collision. The complainant suffered head, chest as also dental injuries. He attributes such injuries to non-deployment of airbags at the time of accident. The appellant themselves obtained an investigation report which has been referred to as SRS report. The remarks and conclusion of the said SRS Investigation Report, as it appears from pages 53 and 54 of the paperbook were:-

"Remarks:

- Vehicle found with major damage on RH front pillar, RH Side body panels and LH front wheel suspension.
- Under ride & Angular impact found on the RH Front Pillar, Roof and Front RH Door panel.
- Grazing damages found on the RH side panels due to the scratch against truck while moving towards left.

Findings:

- No crash info recorded in SRSCM, hence no air bags deployed.
- No impact damage observed on both side chassis members, damages found away from impact sensors.
- Vehicle found completely dismantled and mid-repair condition during inspection.

Conclusion:

- The major impact to the vehicle from RH pillar resulted in under ride and angular condition.
- Both front chassis member found unaffected by the frontal impact, hence no impact sensed by the front impact sensors and not triggered any signal to SRSCM (No crash info recorded in SRSCM for frontal impact).
- After thorough study, it is confirmed that the condition was not met for the air bag deployment, hence no air bags deployed. The air bag system was working proper at the time of accident.

Accident description:

- As per customer verbatim, while he was driving at 100 kmph speed on Gannaur highway. A front going truck applied sudden brake, his car hit to the truck from the right side to the left rear corner of the Truck. Further his car scratched against the truck while moving towards left side of the road and finally hit to some stones on the left front wheel and vehicle stopped."

(quoted verbatim)

3. The Delhi State Consumer Redressal Commission, in a complaint raised by the respondent, upheld his claim. The main theme of his complaint was that the main reason for his purchase decision of the model was because of its safety features including the airbags and the injury was suffered by him because of non-deployment of the airbags. The State Commission granted relief to the following effect:-

> "**19.** Keeping in view of the facts and circumstances of the present consumer complaint, we direct the opposite party to:
> a. Compensate the complainant an amout of Rs.2,00,000/- for medical expenses and loss of income.
> b. Compensate the complainant an amount of Rs.50,000/- for mental agony.
> c. Pay to the complainant an amount of Rs.50,000/- as cost of litigation.
>
> **20**. The aforesaid payment shall be made by opposite party within two months from the date of this order by way of demand draft. Failure of opposite party in paying the said amount in stipulated period will attract an interest of 7% per annum from the date of default. Furthermore, failure in replacing the vehicle of the appellant will also attract an interest of 7% per annum of the value of the vehicle from the date of default."

4. The appellant preferred appeal before the National Consumer Dispute Redressal Commission ("National Commission"). The

National Commission dismissed the appeal sustaining the compensation awarded by the State Commission. The Order of the National Commission, which was passed on 5th January 2021, is under appeal before us. Neither the State Commission nor the National Commission accepted the justification sought to be made by the appellant referring to the said investigation report, having regard to the fact of non-deployment of the airbags. It has been, inter-alia, held by the National Commission:-

> "11.... Learned Counsel for the Appellant/Opposite Party submitted that the airbags deploy only when there is severe impact of force and airbags may not deploy if the vehicle collides with objects like poles and trees, when full force of the impact is not delivered to the sensors. Learned Counsel for the Appellant argued that the SRS Investigation report dated 01.12.2017 clearly stated that the impact of the accident was such that the minimum threshold force required for the deployment of the airbags was not delivered to the front sensors installed in the engine compartment and hence, the airbags did not deploy. No expert evidence was produced by the Respondent to substantiate any manufacturing defect. The Complainant contended that he purchased the car for its safety features highlighted by the Manufacturer, but the airbags did not function when required, due to which he sustained serious injuries as can be seen from the medical prescriptions and bills furnished by the Complainant. The impact/force required for triggering the front airbags was not made known to the Complainant. Nowhere has the minimum threshold force been

> quantified and this defence can never be refuted. Highlighting safety features including airbags while selling the car and not elaborating and disclosing the threshold limits for their opening is by itself an unfair trade practice. Complainant, however, had filed photographs of the accidental car. Major damage to RH front pillar, RH front roof, side body panels front RH door panels and LH front wheel suspension is seen in the photographs of the car. Without forceful impact, the car would not have been so badly damaged. The accident was a major accident in which the entire deriver side of the car, the side part and even the front mirror of the car got smashed and broken. The impact of the accident was so intense that the front bumper grill, dash board and the radiator got totally damaged. The State Commission rightly observed "that expert evidence need not be relied upon where the facts speak for themselves. This is a case of *Res Ipsa Loquitur* where the photographs of the damaged vehicle placed on record clearly show the impact of the accident on the vehicle."

5. One of the points argued on behalf of the appellant by Mr. Huzefa Ahmadi, learned Senior advocate, is that the order for replacement of the vehicle ought not to have been passed. The respondent had not asked for replacement of the vehicle as part of the reliefs claimed before the State Commission. He has otherwise questioned legality of the decisions of the two fora citing certain clauses from the owner's manual. His argument on this count has been that if force generated by the collision is lesser than a certain degree, there would not be deployment of the airbags. Thus, there

was no defect in the security system according to him. He also highlighted that impact of the accident was from the side and it was not a frontal hit.

6. It is the case of the appellant that the airbag deployment depends on a number of factors including vehicle speed, angle of impact, density and stiffness of vehicles or objects which the vehicle hits in the collision. The vehicle is designed to deploy the front airbags only when an impact is sufficiently severe and when the impact angle is less than 30 degrees from the forward longitudinal axis of the vehicle. Mr. Ahmadi has submitted that the front airbags are not intended to deploy if the impact is from the side or in cases of rear impact or roll over crashes. He has referred to a variety of circumstances in a collision which may not result in deployment of the airbags. He has cited the investigation report to which we have already referred to.

7. Before the Commission, point of limitation was also taken and the appellant wanted the limitation to run from the date of purchase of the vehicle and not the date of the accident. This

objection on maintainability has been rightly rejected by both the State Commission and the National Commission. We do not find any error in the view of the respective Commissions on this point. Vehicles are goods within the meaning of Section 2(7) of The Sale of Goods Act, 1930 and they carry implied conditions as to their fitness. That is a statutory mandate and that mandate also operates in respect of goods, whose defect is subject of proceeding in a consumer complaint under the Consumer Protection Act, 1986. In the complaint, it has been pleaded that the respondent had relied on the safety features of the vehicle projected by the manufacturer. In such a situation, the limitation will run from the day the defect surfaces in a case. There is no way by which the nature of defect complained against could be identified in normal circumstances at an earlier date, before the collision took place. In this case, the safety feature of the vehicle fell short of the quality of fitness as was represented by the manufacturer by implication. The National Commission's view is broadly based on the principle incorporated in Section 16 of the 1930 Act. The defect in this case

ought to be treated to have had surfaced on the date of the accident itself. We quote below the provisions of Section 16 of The Sale of Goods Act, 1930:-

> "**16. Implied conditions as to quality or fitness.—** Subject to the provisions of this Act and of any other law for the time being in force, there is no implied warranty or condition as to the quality or fitness for any particular purpose of goods supplied under a contract of sale, except as follows:—
>
> (1)Where the buyer, expressly or by implication, makes known to the seller the particular purpose for which the goods are required, so as to show that the buyer relies on the seller's skill or judgment, and the goods are of a description which it is in the course of the seller's business to supply (whether he is the manufacturer or producer or not), there is an implied condition that the goods shall be reasonably fit for such purpose:
>
> Provided that, in the case of a contract for the sale of a specified article under its patent or other trade name, there is no implied condition as to its fitness for any particular purpose.
>
> (2)Where goods are bought by description from a seller who deals in goods of that description (whether he is the manufacturer or producer or not), there is an implied condition that the goods shall be of merchantable quality:
>
> Provided that, if the buyer has examined the goods, there shall be no implied condition as regards defects which such examination ought to have revealed.

> (3)An implied warranty or condition as to quality or fitness for a particular purpose may be annexed by the usage of trade.
>
> (4)An express warranty or condition does not negative a warranty or condition implied by this Act unless inconsistent therewith."

8. The question on privity of contract was also raised before the State as also the National Commission and from the decision under appeal we find that this point was raised on the ground that the dealer was not impleaded as a party and there was no contract between the appellant and the respondent consumer. This issue was rejected by both the consumer fora. No argument has been advanced before us on this point and we do not find any error in the reasoning of the National Commission on this point.

9. There are findings of the two fora about the defect in the product sold, in this case being a vehicle. This was sold with front airbags and there was frontal damage. The airbags did not deploy. The accident caused injuries to the respondent. The appellant referred to various portions from the owner's manual to contend that the impact of the collision was not sufficient to activate the

sensor which in turn would have resulted in deployment of the airbags. We would not like to revisit the facts on which findings have been returned by the two fora against the appellant. The State Commission relied on the principle of **Res Ipsa Loquitur** to affix the liability of the manufacturer as regards defect in the airbag system, having regard to the nature of the collision. The National Commission affirmed this finding referring to certain photographs of the damaged vehicle, which showed substantial frontal damage. In such circumstances, both the aforesaid fora took the view that expert evidence was not necessary in the subject case. Such view cannot be faulted as being unreasonable, in the given facts.

10. We do not find any reason to interfere with the finding of the National Commission. We would like to add here that ordinarily a consumer while purchasing a vehicle with airbags would assume that the same would be deployed whenever there is a collision from the front portion of the vehicle (in respect of front airbags). Both the fora, in their decisions, have highlighted the fact that there was significant damage to the front portion of the vehicle. Deployment of

the airbags ought to have prevented injuries being caused to those travelling in the vehicle, particularly in the front seat. A consumer is not meant to be an expert in physics calculating the impact of a collision on the theories based on velocity and force. In such circumstances, we do not find that there is any error in the findings of the two fora as regards there being defect in the vehicle.

11. We shall now turn to the reliefs granted by the State Commission and upheld by the National Commission. The first point argued in this regard is that there was no prayer in the petition for replacement of the vehicle. This is a case where the 1986 Act was applicable and Section 14 of the said statute lays down the reliefs which may be granted. The directions as per the statute, could be for replacement of defective goods as also punitive damages. The appellant have also taken a point that so far as replacement of the vehicle is concerned, there was no substantive direction and no discussion either. The operative part of the order suffers from a shortcoming on this count, but that is not fatal. On a composite reading of the directions, we find from paragraph 20 of the

Order of the State Commission that such a direction was made. The confusion, if any, arises because of construction defect in the Order of the State Commission. Considering the fact that the dispute is pending for a reasonably long period of time, we have ourselves applied our mind on this issue and our view is that a direction for replacement of the vehicle is justified in the facts of this case. The direction for replacement of the vehicle would not be treated as non-est having regard to paragraph 20 of the State Commission's Order. The fact that the consumer has got the car repaired on insurance money would not impact the quantum of damages, which is partly punitive in nature in this case.

12. Three cases arising out of motor accident claims were cited before us. In **Nagappa v. Gurudayal Singh & Others.** [(2003) 2 SCC 274], it was held that there is no restriction that the Tribunal or Court cannot award compensation amount exceeding the claimed amount. Two other authorities were cited before us, by Ms. Tamta, learned counsel for the respondent, being the cases of **Sangita Arya and Others v. Oriental Insurance Company Limited and Others**

[(2020) 5 SCC 327] and **Jitendra Khimshankar Trivedi and Others v. Kasam Daud Kumbhar and Others** [(2015) 4 SCC 237]. These two cases lay down the principle of just and reasonable compensation that may be paid. The ratio of these authorities, however, do not directly apply in the facts of this case.

13. The damages awarded against the appellant may have gone beyond the actual loss suffered by the respondent and may not represent the actual loss suffered by him in monetary terms. But the provision of Section 14 of the 1986 Act permits awarding punitive damages. Such damages, in our view, can be awarded in the event the defect is found to have the potential to cause serious injury or major loss to the consumer, particularly in respect of safety features of a vehicle. For instance, defective safety feature in a vehicle has to be distinguished from a dysfunctional "courtesy light". The manufacturer should be under strict and absolute liability in respect of the latter. Compensation in the form of punitive damages ought to have a deterrent effect. We also refer to

the principles detailing the factors guiding quantification of liability laid down by a Constitution Bench of this Court in the case of **M.C. Mehta and Another v. Union of India and Others** [(1987) 1 SCC 395]. In this case it has been opined:-

> "32. We would also like to point out that the measure of compensation in the kind of cases referred to in the preceding paragraph must be corelated to the magnitude and capacity of the enterprise because such compensation must have a deterrent effect. The larger and more prosperous the enterprise, the greater must be the amount of compensation payable by it for the harm caused on account of an accident in the carrying on of the hazardous or inherently dangerous activity by the enterprise."

14. The aforesaid decision arose out of a case involving the death of an individual and injuries to several others in an industrial accident. But in our opinion, in the subject dispute also the same principle can be extended. We are dealing with a case where in a collision, the airbags did not deploy. The complainant, driving the vehicle, suffered substantial injuries as a result thereof. The impact of the collision was such that it would have been reasonable for the respondent to assume that there would have been deployment of the airbags. The safety description of the goods fell short of its

expected quality. The content of the owners' manual does not carry any material from which the owner of a vehicle could be alerted that in a collision of this nature, the airbags would not deploy. Purchase decision of the respondent-complainant was largely made on the basis of representation of the safety features of the vehicle. The failure to provide an airbag system which would meet the safety standards as perceived by a car-buyer of reasonable prudence, in our view, should be subject to punitive damages which can have deterrent effect. And in computing such punitive damages, the capacity of the manufacturing enterprise should also be a factor. There was no specific exclusion clause to insulate the manufacturer from claim of damages of this nature. Even if there were such a clause, legality thereof could be open to legal scrutiny. But there is no reason for dilating on that aspect in this case. That question doesn't arise here.

15. If the reliefs granted in a consumer complaint fits any of the statutory provision contained in sub clause (1) of Section 14 of the Act, it would be well within the power and jurisdiction of the Forum

to pass directions irrespective of the fact as to whether specifically certain reliefs have been claimed or not, provided that facts make out foundations for granting such reliefs. In any event, it is within the jurisdiction of the said forum to mould the reliefs claimed to do effective justice, provided the relief comes within the stipulation of Section 14(1) of the Act. We find that the relief granted to the respondent comes within the statutory framework. We accordingly do not want to interfere with the decision of the National Commission. We do not find the reasoning of the Commission or the operative part of the order awarding damages to be perverse. We do not need the aid of the ratio of the three authorities cited before us pertaining to motor accident claim to sustain the decision under appeal. We are also of the view that the directions issued against the appellant by the State Commission and upheld by the National Commission cannot be said to have failed the test of proportionality. We hold so as we find the subject-defect to be of such nature that the provisions relating to punitive damages ought to be attracted against the appellant.

16. We accordingly dismiss the appeal. Interim order passed in this matter shall stand dissolved.

17. Pending application(s), if any, shall stand disposed of.

18. There shall be no order as to costs.

.........................J.
(VINEET SARAN)

..........................J.
(ANIRUDDHA BOSE)

NEW DELHI;
APRIL 20, 2022.