

## LEGAL UPDATES

### **DELHI NCLAT: NCLAT DISMISSES APPEAL FOR CONTEMPT AGAINST CORPORATE DEBTOR WHEN RENT DUES PAID AS PER ORDER**

In an appeal filed by a lessor ('Applicant'), the request was raised to initiate contempt proceedings against the members of the Committee of Creditors and Resolution professional ('Respondents') of the Corporate Debtor for wilful and deliberate disobedience of the Tribunal's order directing them to pay rent arrear dues to the Applicant (lessor of 2 warehouses used by the Corporate Debtor), before the NCLAT bench involving Justice Jarat Kumar Jain, Justice Ashok Bhushan and Dr. Alok Srivastava. The Applicant contended that the Respondents have wilfully failed to comply with the orders passed by the Tribunal to pay the entire arrear of rent by February 28, 2019, and thereafter, on the 15th of each month for every subsequent month. The Applicant also contended that the rent cannot be part of the Corporate Insolvency Resolution Process costs. The Tribunal noted that the CoC had paid the rent from the insolvency commencement date until the date of the liquidation orders and the Applicant had received a total amount of Rs. 3.02 Crores after directions from the Tribunal. The Tribunal also noted that, under Sec. 14(1)(d) of the IBC, the lessor cannot recover the possession of the property during the moratorium period and he is entitled to recover the rent which should be included as a part of CIRP costs. Thereby, the Tribunal concluded that there was insufficient evidence to convict the Respondents for contempt as the Applicant had already received the rent till the moratorium existed. Therefore, the appeal was dismissed.