

LEGAL UPDATES

DELHI NCLAT: NCLAT UPHOLDS NCLT ORDER DECLINING HOUSEKEEPING PROVIDER'S INSOLVENCY APPLICATION

In an appeal filed by a housekeeping service provider in the health and hospitality industry ('Appellant'), the challenge raised before the NCLAT was the infirmity in the NCLT's order to not accept the Appellant's application of insolvency under Sec. 9 of the Code. The Appellant alleged that the Respondent (a hospital) approached them to avail their services but did not clear their dues about asserting deficiencies in services and creating disputes about various labour compliance. The Appellate Tribunal took notice of the Apex Court ruling in the Transmission Corporation of Andhra Pradesh Ltd. case, and also noted the e-mail conversation between the Appellant and Respondent. The NCLAT observed that there were various issues regarding the non-submission of documents for compliance with various labour laws and supply shortage of staff and other related issues. Drawing on the Supreme Court judgement in the Mobilox Innovations case. The NCLAT ruled that if the operational creditor (the "Appellant") has received a notice of disagreement, the Adjudicating Authority (the "NCLT") must reject the application. The Tribunal ruled that the Appellant had failed to comply with labour laws, leading to a labour dispute and the Respondent also must release a certain amount directly to the employees of the Appellant. Thereby, the Tribunal ruled that the Adjudicating Authority's order was not brittle, as it was not the purpose of the IBC to aid the Appellant in "chasing for payments". Therefore, the appeal was dismissed.