

## **CASE BRIEF**

**Case Name: United India Insurance Company Limited v. Competition Commission of India**

**Case Number: Letter Patent Appeal 724/2019 and CM APPL. 49513/2019**

**Court: Hon'ble High Court of Delhi, New Delhi**

**Coram: Hon'ble Mr. Justice Anil Kshetarpal and Hon'ble Mr. Justice Harish Vaidyanathan  
Shankar**

**Date of Decision: 1st November, 2025**

## I. Facts & Procedural History

1. The Competition Commission of India (**'CCI/Respondent'**) received an anonymous complaint on 04.09.2013 alleging that United India Insurance Company Limited (**'UIIC/Appellant'**) and three other public sector insurers had engaged in cartelization and bid rigging in health insurance tenders floated by the State of Kerala, violating Section 3(3) of the Competition Act, 2002 (**'Act'**).
2. Pursuant to this, the CCI ordered an investigation under Section 26(1) of the Act. The Director General's report found the companies guilty, and the CCI, by order dated 10.07.2015 under Section 27 of the Act imposed a penalty amounting to Rs. 156.62 crores (**'Penalty'**) on the UIIC.
3. UIIC aggrieved by the order appealed to the Competition Appellate Tribunal (**'COMPAT'**), which vide order dated 05.10.2015 granted an interim stay on the penalty, subject to depositing 10% within four weeks. Despite this, the CCI issued a demand notice dated 01.10.2015, received on 07.10.2015, for payment of the full penalty plus interest under Regulation 5 of the Competition Commission of India (Manner of Recovery of Monetary Penalty) Regulations, 2011 (**'2011 Regulations'**).
4. UIIC informed CCI *vide* reply dated 13.10.2015 that COMPAT had granted interim stay on the penalty and the deposit in compliance of the same had been done by UIIC.
5. COMPAT partly allowed the appeal by final order dated 09.12.2016 (**'COMPAT Order'**), upholding the finding of collusion but reducing UIIC's penalty to Rs. 1.56 crores, which was duly paid by UIIC on 04.01.2017. Thereafter, the CCI challenged this order by filing a Civil Appeal before the Hon'ble Supreme Court (which has been admitted and is pending adjudication).
6. Pursuant to the COMPAT Order, the CCI issued a Demand Notice dated 17.01.2017 for UIIC to deposit Rs. 32.76 lakhs as interest for a fourteen-month delay in payment. UIIC disputed the demand notice by response dated 30.01.2017, stating that the stay and subsequent modification of the penalty mean no delay attributable to UIIC. It was stated that UIIC bore no liability to pay interest on the imposed penalty.
7. Despite this contention, the CCI passed an order dated 06.12.2018 and a subsequent Recovery Notice dated 14.12.2018, directing UIIC to pay Rs. 32.76 Lakhs as interest, relying on ***SCM Soilfert Ltd. v. Competition Commission of India.***<sup>1</sup>

---

<sup>1</sup>2018 SCC OnLine NCLAT 462

8. UIIC challenged the order dated 06.12.2018 and the Demand Notices dated 01.10.2015, 17.01.2017 and 14.12.2018 before the Single Bench of Hon'ble Delhi High Court by way of a Writ Petition in W.P. (C) No.1100/2019 titled *United India Insurance Company Limited v. Competition Commission of India* (**'Writ Petition'**).
9. The Writ Petition was dismissed and the Single Judge upheld CCI's demand for interest under Regulation 5 of the 2011 Regulations vide judgement dated 11.09.2019 (**'Impugned Judgement'**).
10. UIIC then preferred a Letters Patent Appeal No. 724/2019 under Clause 10 of the Letters Patent against the Impugned Judgement.

## **II. Contentions**

### **II.I Appellant (UIIC)**

11. The Appellant submitted that they had fully complied with COMPAT's interim order by depositing 10% of the penalty amount within the prescribed time. *Vide* COMPAT Order, the penalty was substantially reduced from Rs. 156.62 crores to Rs. 1.56 crores and the Appellant had acted promptly and in good faith thereby depositing penalty within the prescribed time. Therefore, there was neither default nor delay in payment within the meaning of Regulations 3 and 5 of the 2011 Regulations. Regulation 3 of the 2011 Regulations stipulates that when a penalty has been imposed on an enterprise, a demand notice is to be issued, after the period allowed in the penalty order expires, and further, the demand notice shall provide a thirty-day period from the date of service to allow such enterprise to deposit the penalty in the prescribed manner.
12. The Appellant further submitted that the liability to pay a penalty arises only upon service of a valid demand notice under Regulation 3, and interest under Regulation 5 of the 2011 Regulations can be levied only if the amount remains unpaid beyond the prescribed period. The demand notice dated 01.10.2015 was received on 07.10.2015 by the Appellant, after COMPAT had stayed the CCI's order dated 10.07.2015. Consequently, the demand notice became inapplicable due to the stay.
13. It was further submitted by the Appellant that the CCI's order dated 10.07.2015 merged with COMPAT's final order dated 09.12.2016. Since the original order was subsequently modified and superseded by COMPAT's order, no interest could be levied retrospectively or for any period prior to that order, relying on *Kunhayammed v. State of Kerala*<sup>2</sup>.

---

<sup>2</sup>(2000) 6 SCC 359

14. The Appellant also distinguished *State of Rajasthan v. J.K. Synthetics Ltd.*<sup>3</sup>, contending that the facts were materially different, as the liability to pay interest had arisen either statutorily or contractually prior to the grant of any stay or appellate interference. In contrast, the Appellant's liability could only have arisen upon the service of a valid demand notice.

### **II.I Respondent (CCI)**

15. The Respondent submitted that the power to recover interest on delayed payment of a monetary penalty arises directly from Regulation 5 of the 2011 Regulations, this statutory obligation to pay interest is independent of any other proceedings.

16. It was submitted further by the Respondent that the interim stay granted by COMPAT dated 05.10.2015 did not extinguish the statutory liability to pay interest on the penalty. The stay deferred the payment of the principal amount pending adjudication and extinguish the liability of UIIC to pay interest on the delayed penalty, particularly since the stay was vacated upon final disposal of the appeal.

17. It was submitted by the Respondent that while COMPAT Order was merged with the CCI's order dated 10.07.2015, it was still in contravention under Section 3(3) of the Act and only reduced quantum of penalty on equitable grounds. This left the penalty order operative in substance.

18. Respondent relied on *J.K. Synthetics Ltd.* (Supra), essentially stating that the grant of interim stay would not allow the beneficiary to escape liability unless the final order expressly mentions the same.

### **III. Issues**

19. Whether the demand notice issued by the CCI dated 01.10.2015 during the COMPAT stay order, was valid or operative?

20. Whether interest under Regulation 5 of the 2011 Regulations could be levied on the penalty amount for the period during which the COMPAT stay was in force?

21. Whether the CCI's order dated 10.07.2015 merged with COMPAT's final order dated 09.12.2016?

22. Whether the Appellant was liable to pay interest on the penalty under the 2011 Regulations?

### **IV. Reasoning of the Court**

---

<sup>3</sup>(2011) 12 SCC 518

23. The Court held that Regulation 3(2) of the 2011 Regulations provides that the 30-day period for payment begins from the date of service of the demand notice and Regulation 2(1)(c) of the 2011 Regulations defines a “demand notice” as a notice issued by the CCI to an enterprise from whom any penalty is recoverable.
24. In this case, the demand notice dated 01.10.2015 was received by the Appellant on 07.10.2015 but prior to such service, COMPAT had already stayed the operation of the CCI’s penalty by issuing an interim order dated 05.10.2015 with the condition to deposit of 10% of the penalty, which was complied with in due time. Hence, when the notice was served, there was no penalty recoverable from the Appellant in the first place.
25. The demand notice issued during the stay period cannot be considered a valid or operative “demand notice” as defined under Regulation 2(1)(c) of the 2011 Regulations. The notice itself specified that its operation would commence from the date of its receipt which is 07.10.2015; thus, as on the date of receipt, due to the operation of the stay, it was rendered a dead letter.
26. The court further clarified that, the question of default in payment does not arise due to the notice itself being in-operative. Regulation 5 of the 2011 Regulations, which provides for interest can operate only when a valid demand notice has been served in respect of a recoverable penalty.

### ***Doctrine of Merger***

27. The court in the present case further clarified on the correct application of the doctrine of merger. Clarifying that whether CCI’s penalty order dated 10.07.2015 is to be considered merged into the COMPAT Order which reduced the penalty of the Appellant.
28. With the question of merger the Court, relied on ***Kunhayammed v. State of Kerala*** (supra), wherein the doctrine operates on the principle that when a superior court exercises its appellate or revisional jurisdiction over an order of a subordinate court, the latter’s order merges into that of the superior court. It applies after the grant of special leave to appeal when the Supreme Court assumes its appellate jurisdiction. Once the special leave is granted, the order under challenge before the Court becomes an order “appealed against,” and any subsequent order of the Supreme Court; reversing, modifying, or affirming the impugned order, results in the merger of the lower court’s order with that of the Supreme Court. However, the case clarified that the doctrine of merger does not apply at the stage of rejection of a Special Leave Petition. When the Supreme Court refuses to grant special leave to appeal, the rejection does not amount to affirmation, modification, or reversal of the order under challenge. The refusal

merely signifies that the Court has decided not to exercise its appellate jurisdiction; it leaves the lower court's order untouched and operative.

29. Court placed emphasise on *Vishnu Vardhan v. State of U.P.*<sup>4</sup> which relied on *Collector of Customs, Calcutta v. East India Commercial Co. Ltd*<sup>5</sup> where the question was whether the order of the original authority merged with the appellate authority where there was no modification the court in this case held that the Appellate Authority's order is operative, whether it has reversed the original order or modified it or confirmed it.
30. Court observed that it is the settled legal position that where an order of a court, tribunal, or authority is subjected to appellate or revisional scrutiny, and the superior forum either reverses, modifies, or affirms that order, the subordinate order merges into the decision of the superior forum. The latter order alone survives and becomes operative and enforceable.
31. The court applied this principle in the present case and held that the COMPAT, by its final order dated 09.12.2016 partially modified the CCI's penalty order dated 10.07.2015. Consequently, the latter was replaced by the appellate decision, which alone survived as the binding and operative order and is in accordance with Regulation 14 of the 2011 Regulations. Since the Appellant had already discharged the penalty liability in full as per COMPAT Order by making payment before any fresh demand notice was issued; no liability to pay interest arose.

## **V. Judgement**

32. The Court observed that accepting the CCI's decision would lead to an absurd and unjust result. As the Appellant complied with the stay order and deposited the required amount in case of a penalty being imposed regardless it would create an impossible choice i.e., either pay the full penalty immediately, thereby defeating the purpose of the stay, or leave the penalty unpaid and incur interest. Such a situation would impose a disproportionate and inequitable burden. This would not only frustrate the remedial purpose of interim orders but also contravene the express mandate of the 2011 Regulations.
33. The Division Bench allowed the appeal, setting aside the impugned judgement and quashing the order dated 06.12.2018 and the demand notices dated 01.10.2015, 17.01.2017, and 14.12.2018 issued by the CCI insofar as they imposed liability to pay interest on the monetary penalty. The demand notice was invalid because it was served during the subsistence of the

---

<sup>4</sup>2025 SCC OnLine SC 1501

<sup>5</sup>1963 AIR 1124

COMPAT stay order, rendering it a “dead letter”. Consequentially, the Impugned Judgement was set aside absolving the Appellant’s liability to pay interest on penalty.