

**Inter-Corporate Loan which is taken for a certain period and to be paid back with interest, will fall under the definition of 'Financial Debt' under Section 5(8) of the Code.**

<b>CASE TITLE</b>	Narendra Kumar Agarwal v. Monotrone Leasing Private Limited <sup>1</sup>
<b>CASE CITATION</b>	Company Appeal (AT) (Insolvency) No. 549 of 2020
<b>DATE OF ORDER</b>	19.01.2020
<b>COURT/TRIBUNAL</b>	NCLAT, New Delhi
<b>CASES REFERRED</b>	<i>Innoventive Industries Ltd. v. ICICI Bank (2018)(SC)</i>
<b>SECTION/REGULATION REFERRED</b>	Sections 3, 5, 7, 8 of IBC

**Brief of the case:**

An appeal was filed against an order of admission in Section 7 application on the ground that Financial Creditor has failed to establish any financial contract between parties and oral agreement and payment of TDS cannot be treated as sufficient to prove the transaction as financial debt. In this matter, Corporate Debtor took the Inter-Corporate Loan of Rs.25 Lacs from the Financial Creditor (Monotrone Leasing Private Limited) for a short period of 90 days only.

**Decision:**

Hon'ble NCLAT dismissed the appeal and held that,

*“11. Thus, the contention of Financial Creditor is fully authenticated from the Money Receipt and bank transaction statement. The Appellant contends that the transaction may be treated as the 'Inter-Corporate Deposit', but it cannot be treated as the Financial Debt. In case the Inter-Corporate Deposit is made for a certain period, which was to be paid back with interest then such transaction will also fall in the definition of 'Financial Debt'. The interest is the product of instant transaction, which is undoubtedly the time value of money. Thus, such transaction of the inter-corporate deposit is fully covered by the definition of Financial debt as provided under Section 5(8) of the I&B Code. The written contract cannot be treated as an essential element to prove the Financial Debt if the transaction's nature is proved otherwise.”*



**QR CODE FOR FULL ORDER/JUDGEMENT:**

<sup>1</sup><https://nclat.nic.in/Useradmin/upload/7747428936006a8ebcb783.pdf>