Subject Name: Civil Procedure Code
Topic Name: Receiver

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Introduction

The term "***receiver***" lacks a specific definition within the Code of Civil Procedure. Put simply, a receiver is an individual who receives another's money and provides an account of it. According to Kerr, they are "*an impartial person appointed by the court to collect and receive, pending the proceedings, the rents, issues, and profits of land, or personal estate, which it does not seem reasonable to the court that either party should collect or receive, or for enabling the same to be distributed among the persons entitled.*"

In essence, a receiver serves as an impartial intermediary between the parties involved in a legal matter, appointed by the court to collect and safeguard the property or funds under dispute during the ongoing litigation, particularly when it appears unreasonable for either party to retain control of it.

The principal aim of appointing a receiver is to safeguard, conserve, and administer the property throughout the duration of the legal proceedings. A receiver holds the status of an officer and serves as an extension of the court, functioning as an integral component of the judicial machinery to ensure the protection of the parties' rights.

The appointment of a receiver is intended to maintain the integrity of the property in question and to protect the interests of all parties involved in the suit.

Provisions as to appointment of receiver

Under Order XL Rule 1(a), the court may appoint a receiver where it deems it just and convenient to do so. The principles applied by the Chancery Courts in England for receiver appointments are likewise adopted by Indian courts.

Indian courts possess broad jurisdiction to both appoint and remove receivers, utilising their discretion after considering all circumstances of the case to serve the ends of justice and safeguard the rights of all involved parties.

Principles to be considered before appointing a receiver

1. Discretionary power: The appointment of a receiver is at the court's discretion.

2. Protective relief: It serves to preserve the disputed property pending judicial determination of the parties' rights.

3. Prima facie case: A receiver should only be appointed if the plaintiff demonstrates a strong likelihood of success in the suit.

4. Caution in granting: Since receiver appointment is a severe remedy depriving the opposing party of property before a final judgement, it should be used sparingly to prevent manifest wrong or injury.

5. Deprivation of possession: Generally, a receiver won't be appointed if it deprives the defendant of de facto possession, unless the property is in dispute or in no one's enjoyment.

6. Clean hands doctrine: The applicant must approach the court with clean hands, free from disqualifying factors like delay, laches, or acquiescence.

While the discretion to appoint a receiver is not absolute, it must be exercised judiciously and cautiously, guided by sound legal principles.

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Who can be appointed as receiver?

The ideal candidate for a receiver is someone who is independent, impartial, and entirely disinterested. Typically, the court avoids appointing a party to the suit (whether plaintiff or defendant) as a receiver. However, this guideline is not set in stone. In exceptional situations or for specific reasons, a party involved in the suit or proceeding may also be appointed as a receiver.

Powers of Receiver

Order XL Rule 1(d)

A receiver acts as an officer or agent of the court, operating under its directives. The court may grant the receiver any of the following powers:

1. To initiate and defend legal actions;
2. To realise, manage, protect, preserve, and enhance the property;
3. To gather, allocate, and dispose of rents and profits;
4. To execute documents; or
5. Any other powers deemed appropriate by the court.



However, the receiver's authority is limited to what is specifically conferred upon them by the appointment order. The court may choose not to grant all of the aforementioned powers, and the powers granted are subject to the terms of the appointment. Even when full powers are granted, the receiver should seek the court's advice on significant matters to ensure their own protection.

A receiver cannot initiate legal actions or be subject to legal actions without the court's permission. While the norm is to grant permission, refusal is the exception. Legal actions initiated without such permission may be dismissed, and any decree resulting from such actions can be challenged. However, no permission is necessary to prosecute the receiver for criminal offences allegedly committed in their capacity as a receiver.

As custodia legis, any interference with the receiver's possession without court permission constitutes interference with the court's proceedings and may be deemed contempt of court. Property in the receiver's possession cannot be attached without court permission.

A receiver is entitled to remuneration determined by the court for their services. They are also entitled to indemnification for debts incurred or contracts entered into during the management of the estate.

The status of a receiver was aptly described in the prominent case of Jagat Tarini Dasi v. Naba Gopal Chaki as follows:

"The receiver is appointed for the benefit of all concerned; they represent the court and all parties involved in the litigation in which they are appointed. They are the court's tool in administering the property; the court can only administer through a receiver. Therefore, all legal actions to collect or obtain possession of the property must be pursued by the receiver, and the proceeds received and managed solely by them."

Duties and Liabilities of Receiver

According to Order XL, Rule 3, a receiver must provide security, as determined by the court, to ensure proper accountability for the property they receive. They are obligated to present accounts for the specified period and in the prescribed format directed by the court. Additionally, they must pay any amounts owed as directed by the court.

As a representative of the court, a receiver is obliged to personally fulfil their duties and cannot delegate or transfer any of their rights or responsibilities entrusted to them by the court.

As per Order XL, Rule 4, if a receiver fails to submit accounts or neglects to pay the required amount, or if they cause damage to the property due to deliberate default or negligence, the court may order their property to be attached and sold to cover any outstanding amounts. The receiver is obligated to exercise the utmost care and diligence in carrying out their duties.