
RAKESH KUMAR VERMA vs. HDFC BANK

Citation: 2025 INSC 473

Introduction

This case concerns the validity and applicability of the exclusive jurisdiction clause contained in an employment contract. Although the appointment letter stated that any disputes should be resolved only by the courts in Mumbai, the Supreme Court examined whether a civil suit filed in Patna could still be maintained.

Facts of the case

Rakesh Kumar Verma, on 24th July of 2002, was appointed as the executive of the transaction banking group and worked at the Patna branch, although the bank administrative decision was taken in Mumbai. His appointment letter contained a clearly stated clause that any dispute or matter concerning his employment would be dealt only in the courts of Mumbai. In August 2016, the bank terminated his employment on allegations of “fraud and misconduct”. Challenging this decision, Rakesh filed a civil suit before the Patna court. The bank objected under *Order VII Rule 11 of the CPC*, arguing that the court lacked jurisdiction. The trial court rejected the bank’s objection, but the Patna High Court reversed that decision. Thereafter, Rakesh challenged the order before the Supreme Court of India.

Core issues

1. Whether the exclusive jurisdiction clause in the employment contract is valid and legal.
2. Whether a civil suit filed in that Patna court despite the exclusive jurisdiction clause, is maintainable.

Appellant arguments

Rakesh Kumar claimed that his dismissal from services in August 2016 on the charges of “fraud and misconduct” was unfair, arbitrary and without proper cause. Although the employment contract specified the Mumbai courts, Rakesh argued that since his actual place of work was Patna, the Patna court should have jurisdiction to decide on this matter. He emphasized that the exclusive jurisdiction clause should not completely prevent an employee from accessing the courts or be applied in a manner that is unfair. Additionally, Rakesh contended that strict enforcement of the clause would be inequitable. He argued that requiring an individual employee to litigate in a distant court against a large institution is unfair, especially when the dispute directly impacts his livelihood.

Respondent arguments

The bank’s defence was primarily based on contractual and procedural grounds. It argued that the exclusive jurisdiction clause is legally valid. The bank contended that the clause in Rakesh’s appointment letter, which stated that only the Mumbai courts have jurisdiction, is legally clear, binding, and must be respected. Compliance with the court designated in the contract is both necessary and obligatory.

The Patna court has no jurisdiction because, according to the bank, the key actions including the appointment, correspondence, and termination originated from the Mumbai headquarters. Therefore, maintaining the case in the Patna court was wrong and procedurally improper. The bank moved to reject the plaint under *Order VII, Rule 11 of the Code of Civil Procedure (CPC)*.

Court's Observations

The court observed that the exclusive jurisdiction clause in the appointment letter was clear, lawful, and binding. When both parties to a contract choose a specific or competent court for resolving disputes, that the choice must be respected. According to the court, since all major action such as Rakesh's appointment, correspondence, communication, and termination were carried out from the Mumbai headquarters, the jurisdiction of the Mumbai courts naturally applied.

Judgement

The supreme court held that the suit filed by Rakesh Kumar Verma in the Patna court was not maintainable. The employment contract clearly gave exclusive jurisdiction to Mumbai court to adjudicate on the issues arising out of the contract, so only Mumbai courts could hear the dispute. SC directed return of plaint under Rule 10 of CPC, allowing re-filing of the same. The court upheld Patna High Court's decision and allowed the bank objection, allowing Rakesh to file the case again in Mumbai.

Conclusion

The Supreme Court upheld the validity and enforceability of the exclusive jurisdiction clause in Rakesh Kumar Verma's employment contract. The Court ruled that the Patna court lacked jurisdiction to hear the dispute and directed that the plaint be returned, allowing the employee to re-file in the Mumbai courts. The Court did not rule on the merits of the termination, leaving that issue for adjudication in the competent forum.