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Balancing Substantive Justice and Procedural Exclusion: Revisiting Application of Section 14 of Limitation Act upon Arbitration

The interconnection of limitation law and arbitration proceedings creates a unique challenge when parties seek remedies in good faith before a court that lacks jurisdiction.

STATUTORY FRAMEWORK

1. Section 34 of the Arbitration & Conciliation Act 1996 (**A&C Act**) provides the explicit judicial remedy for questioning arbitral awards.
2. It establishes a strict limitation framework that applications must be submitted within three months of receiving the award, with courts having the discretion to condone a further 30 days on being satisfied that “*sufficient cause*” for delay in time.
3. Importantly, the provision lays down a maximum limit of 120 days, beyond which no application will be maintained. This structure reflects the legislature's deliberate policy decision to reduce judicial intervention and ensure quick resolution, pillars of arbitration as a non-judicial alternative dispute resolution mechanism.
4. In contrast, Section 14, of the **Limitation Act, 1963** (Limitation Act) reflects a policy of procedural justice. Section 14 excludes time spent bonafide prosecuting proceedings before a court that lacks jurisdiction to adjudicate the case, subject to the condition that the party has exercised due diligence and good faith.
5. The provision is mindful that litigants must not be held against their will for a reasonable period, and lacks jurisdiction when they have exercised reasonable diligence.

JUDICIAL EVOLUTION: RIGIDITY TO FLEXIBILITY

1. The Supreme Court's stance towards this legal issue has developed significantly in *Consolidated Engineering Enterprises v. Principal Secretary,*

Irrigation Department (2008) 7 SCC 169, wherein the Court took a rigorous approach, stating that Section 34 of A&C Act was to form a comprehensive, independent code of limitations.

2. The 120 days maximum limit was non violable, and the Limitation Act could not to apply. This position aligned with the pro-arbitration policy favouring limited court intervention and quick resolution.
3. In *NTPC BHEL v. Shree Electrical* 2025 SCC OnLine Bom 598 the Court allows the late submission of Section 34 application because it had validly filed a writ petition under the then controlling law before immediately changing forums once the Supreme Court clarified the law. Section 14 of Limitation Act can be invoked in Section 34 arbitration petitions when the applicant bonafide and diligently sought legal recourse in a court that subsequently lacked jurisdiction.
4. The Court has opined that although Section 34 institutes a special structure of limitation, it does not automatically exclude all Limitation Act provisions where their enforcement defeats the underlying purposes of arbitration law. The question of importance now was no longer whether Section 14 ever would apply, but under what conditions would the application be in accordance with the legislative purpose of Section 34.

THE ANALYTICAL FRAMEWORK: WHEN DOES SECTION 14 APPLY?

The Courts created a multi-factor test to determine when Section 14 can be relied on in Section 34 applications;

1. Application in the wrong forum must not be due to a lack of bonafide, not a delay in applying to the appropriate court. Courts review whether there was a reasonable basis for considering the selected forum appropriate, based on uncertainty regarding the arbitration agreement, difficulty of jurisdictional rules, or conflicting precedents.



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2. Diligence in prosecution is essential. Without unreasonable delay, the party should have pursued the proceedings in the wrong forum. Any willful delay negates the application of Section 14, for the provision intends to protect diligent litigants rather than slow reward.
3. Fundamental uncertainty regarding which court has jurisdiction, especially where the seat of arbitration or “*cause of action*” is unclear, has received more flexibility than mistakes demonstrating poor legal advice.
4. Prejudice of the other party is significant. Thus, courts balance the applicant’s right to challenge an award against the interest of the award holder. If evidence has been lost, circumstances have altered, or the other party has acted on the finality of the award, courts are likely inclined to Section 14.
5. The provision should not be used as a weapon for indefinitely delaying arbitral finality.

THE “SUFFICIENT CAUSE” INTEGRATION

1. In *Deena (dead) v. Bharat Singh* (2002) 6 SCC 336, the Court held that Section 14, Limitation Act is applicable was only prosecuted with due diligence and good faith, and due to a jurisdictional defect and not on account of negligence. These principles apply to Section 34(3) cases where courts can treat bonafide litigation before a wrong forum as “*sufficient cause*” for delay within 120 days.
2. Courts incorporate Section 14 analysis into the “*sufficient cause*” framework of Section 34(3). Bonafide litigation in the incorrect forum can be sufficient cause for delay in the first three-month interval or 90 day limit. The delay incurred in the wrong forum is considered when assessing whether substantial cause is present for the delay. Still, it generally does not allow extension past the statutory maximum.
3. This accommodation is a compromise between exclusion and extension. It enables courts to establish issues without abrogating the legislative intent for speedy finality. Section 14 helps parties obtain condonation within the 120 days frame, but hardly ever allows challenges after this period.

COMPETING IMPERATIVES IN POLICY FORMULATION

1. The *Gujarat State Petronet Ltd. v. Micro and Mine Enterprises Facilitation Council* 2018 SCC OnLine Bom 2039 : (2018) 5 AIR Bom R 821, highlights the Section 14 debate through a similar conflict, the “*MSMED Act vs. the arbitration agreement*”, which discusses the conflict between access to justice and arbitral finality.
2. MSMED Act override is explicit in Section 24, whereas the application of Section 14 to arbitration depends on judicial interpretation. This creates the “*judicial legislation*” issue; courts should not modify arbitration’s limitation without explicit legislative allowance.
3. The case illustrates the still-open paradox: courts extended substantive jurisdiction but imposed procedural limits, showing both arms of the Section 14 controversy without deciding whether access to justice or procedural finality must control in arbitration matters.
4. Parties go for arbitration specifically to prevent a lengthy litigation process. Allowing indefinite extension through Section 14 would defeat party autonomy and the same benefits of arbitration. Useless application of Section 14 without end can render Indian arbitration unappealing for international parties with enforcement certainty on their minds.

CONCLUSION

The strategy accommodates conflicting imperatives: it affords relief to truly aggrieved parties while maintaining arbitration’s fundamental virtues of speed and finality. However, uncertainty exists, and the use of Section 14 in arbitration cases is risky. The preventive approach is judicial jurisdictional screening before filing over cure by potentially risky Section 14 motions. As arbitration law continues to develop, more guidance may evolve. Still, in the meantime, legal practitioners have to navigate this difficult landscape minutely, being aware that each case ultimately depends on its specific facts and the court’s view of where justice lies between expedition and fairness.