
INTERPLAY BETWEEN ACQUITTAL IN PREDICATE OFFENCES AND PMLA PROSECUTIONS: POST-VIJAY MADANLAL CHAUDHARY ANALYSIS

Diksha, B.A. LL.B. (Hons), Vivekananda Institute of Professional Studies – Technical
Campus, GGSIPU

ABSTRACT

The Prevention of Money Laundering Act, 2002 gives a complicated connection between underlying crimes and prosecutions for money laundering. Subsequently to the Supreme Court's decision in *Vijay Madanlal Choudhary*, which determined that an individual who has been finally absolved either by discharge, acquittal, or quashing cannot be subjected to PMLA actions, High Courts have produced varying interpretations on whether this principle is absolute or allows for exceptions.

This paper examines whether the post-*Vijay Madanlal* jurisprudence has successfully resolved the relationship between predicate offence termination and PMLA prosecution continuance, or whether judicial divergence has created an untenable legal position requiring legislative or Supreme Court intervention, through a comparative analysis of recent High Court decisions from 2024-2025. The analysis results are that the Delhi HC and Punjab & Haryana HC strongly support the automatic collapse principle, but the Madras HC has introduced controversial "technical grounds" exceptions which creates judicial divergence and uncertainty.

Keywords: Vijay Madanlal Choudhary, money laundering, PMLA, scheduled offence, acquittal, automatic collapse, predicate offence, final absolution.

I. INTRODUCTION

The Prevention of Money Laundering Act, 2002, is India's primary money laundering law framework. The PMLA's enforcement mechanism depends on the definition of "proceeds of crime" as given in *Section 2(1)(u)*, which requires that there has to be a criminal activity relating to a scheduled offence.¹ This basic prerequisite gives rise to what legal experts have called a "parasitic relationship," which is based on the science analogy that a money laundering offense cannot exist without a predicate or scheduled offense, just as a parasite cannot exist without a host. Scheduled offenses (also known as predicate offenses, which serve as the basis for the money laundering offense) listed in Parts A, B, and C of the schedule are inextricably linked to money laundering prosecutions.²

The Supreme Court's comprehensive decision in *Vijay Madanlal Choudhary v. Union of India*³ fundamentally altered PMLA jurisprudence by unequivocally declaring that once a person is "finally absolved" that is, discharged, acquitted, or quashed in the prosecution of a scheduled offence no prosecution under the PMLA may proceed. The Court specifically decided that the phrase "derived or obtained" in *Section 2(1)(u)* refers solely to property obtained through criminal action and excludes any other property used in the commission of criminal activity.⁴

Despite the Supreme Court's seemingly clear decision, High Courts have had varying views and interpretations about the "final absolution" principle's implementation in the years following *Vijay Madanlal*. The Delhi High Court affirmed *Vijay Madanlal Choudhary's* automatic collapse theory in *Directorate of Enforcement v. Akhilesh Singh*⁵. In contrast, the Madras High Court established in the case of *Vijayraj Surana v. Directorate of Enforcement*⁶ that prosecution under the PMLA may continue even if a scheduled offense was dismissed for procedural or technical reasons. In many jurisdictions, this disparity has resulted in uncertainty and inconsistent enforcement.

¹ The Prevention of Money Laundering Act, 2002, § 2(1)(u), No. 15, Acts of Parliament, 2003 (India).

² Pratik Parashar, *Vijay Madanlal Choudhary v. Union of India*, (2022) 10 SCC, Record Of Law (July 3, 2025), <https://recordoflaw.in/vijay-madanlal-choudhary-v-union-of-india-2022-10-scc/>.

³ (2023) 12 SCC 1.

⁴ *Ibid.*

⁵ 2024 SCC OnLine Del 3051.

⁶ 2024 SCC OnLine Mad 8404.

II. RESEARCH QUESTIONS

1. Does acquittal, discharge, or quashing in a scheduled offence automatically terminate PMLA proceedings, or can PMLA prosecutions continue independently despite final absolution in the predicate offence?
2. Why have multiple High Courts adopted fundamentally conflicting interpretations of the Vijay Madanlal principle, and what are the implications of this judicial divergence for legal certainty?
3. Does Section 44(1) Explanation (i) of the PMLA genuinely establish PMLA proceedings as substantively independent of predicate offences, or does this provision conflict with the inherent dependency created by Section 2(1)(u)'s?
4. Which interpretive approach- automatic collapse upon predicate absolution or contextual case-by-case assessment with exceptions better serves both PMLA's enforcement objectives and fundamental rights enforcement under Articles 14, 21, and 300-A?

Through a doctrinal analysis and comparative case law methodology examining recent High Court decisions, statutory provisions of the PMLA 2002 (particularly *Sections 2(1)(u)*, 3, 8(6), and 44(1) Explanation (i)), and the Supreme Court precedent *Vijay Madanlal Choudhary* leading to the "final absolution" principle's completion.⁷

III. LEGAL FRAMEWORK

(A) Statutory Framework

The fundamental condition that any property held by an individual must be generated from any activity related to a scheduled offense is established by the "proceeds of crime" under *Section 2(1)(u)*.⁸ The term "directly or indirectly" suggests a tenuous relationship between the property and the scheduled offense. Crucially, the past tense expression "derived or obtained" implies

⁷ (2023) 12 SCC 1.

⁸ The Prevention of Money Laundering Act, 2002, § 2(1)(u), No. 15, Acts of Parliament, 2003 (India).

completed criminal activity rather than suspected or ongoing illegality, hence the definition implies an already completed criminal activity related to the scheduled offence.⁹

According to *Section 3*, knowingly participating in any activity or procedure involving the proceeds of crime constitutes the substantive offense of money laundering.¹⁰ The legislature's determination to bring charges against even those indirectly involved in any activity related to proceeds of crime or merely providing assistance is demonstrated by the section's broad language, which covers concealment, possession, acquisition, use, and projecting as untainted of the proceeds of crime. Nonetheless, the offense is still essentially reliant on the availability of criminal proceeds, which are reliant on the reality of criminal conduct associated with a scheduled offense.

(B) Pre-Vijay Madanlal Jurisprudential Conflict

The 2019 amendment's addition of *Explanation (i) to Section 44(1)*, states that any orders issued in relation to the scheduled offense have no bearing on PMLA trials, created an apparent contradiction and questioned the established dependence between *Section 3 and Section 2(1)(u)*.¹¹ The legislative goal seems to have been to address the High Court's practice of delaying PMLA trials until the scheduled criminal trial resolution in order to prevent procedural coordination from permanently delaying PMLA inquiry.¹²

The pre-Vijay Madanlal jurisprudence reflected fundamental disagreement on *Section 44(1) Explanation (i)*'s meaning. The Bombay High Court in *Babulal Verma v. Enforcement Directorate*¹³, adopted an 'independence' approach, holding that PMLA proceedings could continue despite closure or acquittal in the scheduled offence. Conversely, the Delhi High Court in *Prakash Industries v. Directorate of Enforcement*¹⁴, emphasized the 'inextricable nexus' between PMLA and scheduled offences, suggesting substantive dependency. This conflict created uncertainty that prompted the Supreme Court's intervention in the later case.

⁹ (2023) 12 SCC 1.

¹⁰ The Prevention of Money Laundering Act, 2002, § 3, No. 15, Acts of Parliament, 2003 (India).

¹¹ The Prevention of Money Laundering Act, 2002, § 44(1) Explanation (i), inserted vide The Finance (No. 2) Act, 2019 (w.e.f. August 1, 2019).

¹² MS Krishna Kumar, Amendments to PMLA by Finance Act 2019 : Widening the Scope of the Legislation, BAR & BENCH (Aug.20,2019), <https://www.barandbench.com/columns/amendments-to-pmla-by-finance-act-2019-widening-the-scope-of-the-legislation>.

¹³ 2021 SCC OnLine Bom 392.

¹⁴ 2022 SCC OnLine Del 2087.

(C) *Vijay Madanlal's* Reconciliation of Independence and Dependency

The Supreme Court consolidated the contradictory jurisprudence in *Vijay Madanlal Choudhary v. Union of India*¹⁵, by making a distinction between procedural independence and substantive interdependence. The Court reasoned that while *Section 44(1) Explanation (i)* permits and ensures procedural autonomy, allowing PMLA trials to proceed without procedural orders in the predicate trial, it cannot override the substantive dependency embedded in the statutory definition of 'proceeds of crime' in *Section 2(1)(u) and Section 3*. Therefore, while trials may be independent procedurally, they remain dependent substantively: if the person achieves final absolution in the scheduled offence through acquittal, discharge, or quashing, the foundational fact of accomplished criminal activity ceases to exist, necessarily destroying PMLA liability. This notion is also referred to as "automatic collapse."¹⁶

The Supreme Court ruled that "final absolution" which can be achieved through the discharge, acquittal, or quashing of the FIR or charges ends the basis for PMLA proceedings because the individual is no longer liable for the scheduled offense and, as a result, cannot have "proceeds of crime" derived from criminal activity related to that offense. This makes it impossible to satisfy the foundational requirement of *Section 2(1)(u)* and makes it legally impossible to establish PMLA liability.¹⁷

(D) The Indeterminacy of "Final Absolution"

However, the Supreme Court did not precisely define "final absolution," leaving scope for interpretive disputes. The unresolved questions include:

1. Whether "final absolution" requires completion of all appellate remedies (i.e., orders after exhaustion of appeals) or whether acquittal/discharge at trial stage itself constitutes "final absolution" even if appeals are pending.
2. Whether "final absolution" covers only merit-based acquittals or also includes quashing

¹⁵ (2023) 12 SCC 1.

¹⁶ Aditya Malhotra and Hrishikesh Gayakwad, Beyond the Predicate: Courts Revisit Principle of Automatic Collapse Under Prevention of Money Laundering Act, BAR & BENCH (Aug. 26, 2025), <https://www.barandbench.com/view-point/beyond-the-predicate-courts-revisit-principle-of-automatic-collapse-under-prevention-of-money-laundering-act>.

¹⁷ *Vijay Madanlal Choudhary v. Union of India*, (2023) 12 SCC 1.

on technical/procedural grounds.

3. Whether partial quashing in multi-accused cases affects PMLA for unquashed accused.
4. Whether acquittals' impact on PMLA is suspended while ED appeals against them are still pending.

This ambiguity has proven problematic in subsequent litigation, as different courts have adopted contradictory positions, creating the jurisprudential divergence this paper analyses.¹⁸

IV. POST-VIJAY MADANLAL JURISPRUDENTIAL DIVERGENCE

(A) Cases Supporting Automatic Collapse

➤ *Directorate of Enforcement vs. Akhilesh Singh*¹⁹: “Foundation” Metaphor

The Delhi High Court provided perhaps the strongest application of *Vijay Madanlal* principles to date. The facts are that the accused was acquitted by trial court in the scheduled offence, but the ED continued PMLA proceedings and maintained property attachment, arguing that the ED's appeal against acquittal was still pending and therefore the acquittal was not "final."

Confronted with ED's argument, Justice Mahajan categorically rejected this position and held that acquittal at the trial stage itself mandates cessation of PMLA proceedings and immediate release of attached properties under PMLA.²⁰

The Court employed the “foundation” metaphor: the scheduled offence is the foundation; acquittal demolishes the foundation; no PMLA structure can stand on a demolished foundation.²¹ Justice Mahajan's argument that the accusation of money laundering will be dropped once that very foundation is removed clearly applies the Supreme Court's ruling that the PMLA and the predicate offense are substantively related even though they are procedurally independent.

¹⁸ Nikhil Varshiney, Ishu Gupta & Preksha Mehndiratta, Shifting Paradigms in PMLA Jurisprudence: Madras High Court Reopens Settled Principles of Automatic Quashing of PMLA Proceedings, CYRIL AMARCHAND BLOGS(Nov.25,2024),<https://disputeresolution.cyrilamarchandblogs.com/2024/11/shifting-paradigms-in-pmla-jurisprudence-madras-high-court-reopens-settled-principles-of-automatic-quashing-of-pmla-proceedings/>.

¹⁹ 2024 SCC OnLine Del 3051.

²⁰ Id. at ¶ 25.

²¹ Id. at ¶ 18.

This judgment represents the Delhi HC's firm support for the automatic collapse principle. This approach prioritizes individual rights and procedural fairness over the State's enforcement-centric concerns, so reinstating a certain amount of due process within the PMLA's usually strict parameters.

➤ ***Chetan Gupta v. Directorate of Enforcement*²²: Wall and Plaster Analogy**

Justice Anoop Chitkara's wall-plaster analogy provides the most vivid articulation of PMLA dependency among post-*Vijay Madanlal* High Court decisions. The predicate offence is the wall- load-bearing structure providing foundational support. PMLA proceedings are plaster-material applied over the wall serving a purpose but entirely dependent on the wall's existence. If the wall is demolished (acquittal, discharge, closure, quashing), the plaster necessarily collapses.²³

The Court held that the Prevention of Money Laundering Act, 2002, proceedings are "subservient and secondary" to predicate offences because the statutory definition of "proceeds of crime" in *Section 2(1)(u)* requires criminal activity relating to a scheduled offence as its foundational element.²⁴

The Court's comprehensive categorization treating acquittal, closure, discharge, and quashing identically eliminates artificial distinctions that could permit forum shopping or inconsistent outcomes.²⁵

➤ ***Sree Raghavendra Enterprises Ltd. v. Union of India*²⁶**

The Karnataka High Court upheld the automatic collapse concept, confirming that the illegal acquisition of property due to any criminal activity connected to a scheduled offence is the basis for the offense under *Section 3*. A person cannot be charged with money laundering if they are ultimately found not guilty of the scheduled offense or if the court of competent jurisdiction dismisses the criminal action against them.

²² 2024 SCC OnLine P&H 1326.

²³ Id. at ¶ 18.

²⁴ Id. at ¶ 20.

²⁵ Id. at ¶ 28.

²⁶ 2025 SCC OnLine Kar 16607.

(B) Cases Recognizing Exceptions

➤ *Vijayraj Surana v. Directorate of Enforcement*²⁷: Exception of “Technical Grounds”

This Madras High Court's decision marked a controversial departure from the emerging consensus by creating a new test distinguishing between quashing on "technical grounds" or "procedural irregularities" versus quashing "on merits" or based on substantive innocence. According to this approach, PMLA proceedings can survive if the predicate FIR or charges are quashed because of technical defects in investigation (e.g., procedural violation during arrest, improper recording of statement, failure to follow BNSS provisions), even if the crime may be committed by the accused. because such technical quashing does not represent genuine acquittal but merely elimination of procedural errors.

The Division Bench distinguished *Vijay Madanlal* by arguing that the Supreme Court's "final absolution" principle was intended to address acquittals/discharges obtained on the substantive merits after full trial, not technical quashing orders that merely eliminate procedural defects without addressing the actual guilt or innocence of the accused; therefore, a person quashed on technical grounds is not truly "finally absolved" in the substantive sense according to the Supreme Court.²⁸

Beyond the technical grounds test, the Madras High Court introduced several other controversial propositions: that the ED can file appeals against acquittals in predicate offences (reversing established principle that only the accused has appellate rights); that a "case-by-case assessment" is needed rather than categorical application of the collapse principle; and that if multiple scheduled offences exist (e.g., SFIO complaint is pending separately), PMLA can continue against some accused even if quashed qua others.²⁹

The decision appears to prioritize ED's enforcement interests and the State's desire to maintain investigative momentum over legal certainty, individual rights and finality of judicial orders. So, the *Vijayraj Surana* decision represents a misreading and judicial overreach that effectively rewrites *Vijay Madanlal* by introducing exceptions the Supreme Court explicitly rejected. It contradicts the Supreme Court's unambiguous language that "finally absolved" persons cannot

²⁷ 2024 SCC OnLine Mad 8404.

²⁸ Id. at ¶ 40.

²⁹ Id. at ¶ 50-55.

face PMLA proceedings; the Supreme Court's categorical rejection of scenarios where PMLA could continue despite predicate absolution; and the Supreme Court's clear intent to create certainty and uniformity, not invite subjective distinctions. It should be immediately overruled by the Supreme Court through a clarificatory judgment or reviewed by a larger bench within the Madras HC that correctly applies *Vijay Madanlal* without inventive exceptions.³⁰

(C) Cases With Nuanced Positions

➤ *Byappanahalli Prabhakar Reddy Kumar v. Directorate of Enforcement*³¹

The Telangana High Court faced a different scenario where the predicate offence was quashed or terminated regarding some, but not all, of the accused persons in a multi-accused case. Justice K. Lakshman held that partial quashing or acquittal in the predicate offence does not automatically terminate PMLA proceedings for all accused; instead, PMLA prosecution may validly continue against those for whom the predicate offence remains pending, and only those individuals who achieve absolution in the predicate offence are entitled to cessation of parallel PMLA proceedings.

This creates a nuanced position falling between the "automatic collapse" approach of the Delhi and Punjab & Haryana HC and the "complete independence" position rejected by the Supreme Court acknowledging that PMLA is substantively dependent on the individual's absolution in the predicate offence, but not mechanically extending this consequence to all co-accused or to the case as a whole when only partial absolution is granted.

(D) Conclusion

Overall, the post-*Vijay Madanlal* jurisprudence reveals three main approaches:

1. Strict automatic collapse upon any absolution (Delhi HC),
2. Qualified exceptions based on technical grounds or partial quashing (Madras HC),
3. Residual cases resolved by nuanced, case-by-case analysis with varying degrees of

³⁰ Supra note 19.

³¹ *Byappanahalli Prabhakar Reddy Kumar vs Directorate of Enforcement*, Special Case No. 3 of 2021, (April 21, 2025), <https://indiankanoon.org/doc/185233410/>.

adherence to the Supreme Court's categorical guidance.

V. CRITICAL ANALYSIS

(A) The Independence vs. Dependency Paradox

The PMLA contains a fundamental paradox: *Section 44(1) Explanation (i)* declares procedural independence while *Sections 2(1)(u) and 3* create logical dependency.³² This paradox cannot be resolved through judicial interpretation alone because courts cannot rewrite statutory language or override definitional requirements; they can only interpret, and interpretation has limits when statutory language itself is paradoxical or contradictory; it requires legislative clarification. Parliament must amend the PMLA to explicitly specify the intended interpretation.

(B) Problems with the "Technical Grounds" Exception

The 'technical grounds' exception created by the Madras High Court is fundamentally unworkable. First, the distinction between "technical" quashing and "merit-based" quashing is inherently subjective and admits no clear boundary. Second, there are no precise standards for classifying specific grounds as "technical" vs. "merit-based" different judges inevitably apply different standards, creating inconsistency. Thirdly, this exception contradicts Vijay Madanlal's categorical approach which recognizes no such distinction.³³

So, it introduces subjective, case-by-case distinctions that admit no clear boundary and contradict the Supreme Court's categorical language. Either this exception must be explicitly rejected by the Supreme Court, or the Supreme Court must provide clear judicial guidelines defining which grounds are 'technical' and which are 'substantive.' Without such guidance, continued divergence is inevitable.³⁴

(C) Rights and Constitutional Implications

Since courts cannot apply the law consistently, people cannot obey it, and the state cannot

³² Whether the Trial of the Offence of Money-Laundering Should Be Continued on Discharge/Acquittal Under the Predicate Offence, LAWWEB (June 13, 2023), <https://www.lawweb.in/2023/06/whether-trial-of-offence-of-money.html>.

³³ Vijayraj Surana v. Directorate of Enforcement, 2024 SCC OnLine Mad 8404.

³⁴ Supra note 19.

defend its actions as being supported by the law if it is unclear, the right to legal certainty is fundamental to fair procedure and is an integral component of Article 21 of the Indian Constitution.³⁵

Furthermore, under Article 300-A of the Constitution, which safeguards property rights and stipulates that deprivation must be in accordance with the legal process, but if that process is unclear, the deprivation might not be legitimate, continuing property attachment in spite of acquittal may violate constitutional property rights.³⁶

Thus, the current uncertainty violates Article 21 (due process) and Article 300-A (property protection) by making legal consequences unpredictable and property attachment indefinite. The Supreme Court should ensure whether the jurisprudential divergence on PMLA has created constitutional infirmity requiring intervention to avoid any arbitrary use of power.³⁷

(D) Practical Problems Created by Judicial Divergence

The Madras HC innovation further complicate PMLA jurisprudence and create a patchwork of inconsistent outcomes where similarly situated accused are treated differently based on which High Court hears their case, whether ED appeals, and whether ancillary investigations exist and create practical problems including³⁸:

1. Forum shopping incentives: Accused seeking favourable jurisdictions.
2. Litigation explosion: Increased appeals and interlocutory proceedings.
3. Prolonged uncertainty: Prolonged attachment of properties despite substantive absolution.
4. ED harassment: Continued prosecution despite judicial absolution.
5. Inconsistent state action: ED policies varying by region.

³⁵ INDIA CONST. art. 21.

³⁶ INDIA CONST. art. 300A.

³⁷ E.P. Royappa v. State of Tamil Nadu, (1974) 4 SCC 3.

³⁸ Supra note 17.

VI. WAY FORWARD

The current jurisprudential divergence cannot be resolved through individual High Court decisions or piecemeal litigation. Systematic resolution requires intervention at two levels:

1. At the legislative level, Parliament must amend *Section 44(1) Explanation (i)* to explicitly distinguish between procedural independence (trials need not be coordinated) and substantive independence (PMLA cannot exist without predicate foundation). The amendment should clearly state that *Section 44(1) Explanation (i)* does not override the substantive requirements of *Sections 2(1)(u) and 3*, and that absolution in the predicate offence mandates cessation of PMLA and release of attached properties.
2. At the judicial level, the Supreme Court should immediately take cognizance of the conflict through a special leave petition or clarificatory judgment, addressing the five specific issues: (1) whether pending appeals suspend acquittal's effect on PMLA, (2) whether technical quashing differs from merit-based acquittal for PMLA purposes, (3) how partial quashing affects co-accused PMLA liability, (4) whether ED can appeal acquittals, and (5) when property release is required. In order to maintain binding authority and stop additional divergence, these issues need be addressed by a bigger bench.

Any resolution must maintain a principled balance framework with categorical cessation of PMLA upon absolution (protecting individuals and ensuring finality), with limited ED appellate rights (preserving enforcement while preventing abuse). The proposed tiered framework combining immediate PMLA cessation with time-limited ED appeals, interim attachment provisions, mandatory appeal timelines, and non-repetition rules achieves this balance while maintaining both individual protection and enforcement effectiveness.

VII. CONCLUSION

This comprehensive analysis of post-*Vijay Madanlal* PMLA jurisprudence reveals an important issue in Indian anti-money laundering law. The Supreme Court's judgment in *Vijay Madanlal Choudhary*, while appearing to settle the relationship between predicate offences and PMLA proceedings, has been interpreted so differently by subsequent High Courts that legal certainty has effectively disappeared.

The Delhi and Punjab & Haryana HC have rigorously applied the Supreme Court's categorical principle: absolution in predicate offence mandates cessation of PMLA. The Madras and Telangana HC have created exceptions and qualifications that the Supreme Court never articulated. This divergence is not mere technical disagreement; it reflects a fundamental philosophical divide between formalist and functionalist approaches to criminal jurisprudence.³⁹

The real-world repercussions are dire: accused individuals' faces jurisdiction-dependent justice; properties remain indefinitely attached despite acquittal; the ED engages in strategic forum shopping; and the rule of law suffers. This situation is constitutionally infirm and practically unjust. Resolution requires action at multiple levels. Parliament must amend *Section 44(1) Explanation (i)* to clarify that procedural independence does not permit substantive independence from PMLA's foundational requirement of proceeds of crime. The Supreme Court must take up the conflict and authoritatively settle the jurisprudence, preferably through a larger bench, to bind all High Courts to a uniform interpretation.

The automatic collapse principle championed by the Delhi and Punjab & Haryana HC represents the preferable approach. It respects the Supreme Court's categorical language, preserves logical consistency with PMLA's statutory scheme, protects individual rights and finality of judgment, and achieves the uniformity and certainty essential to rule of law.

Only through such intervention can PMLA achieve its enforcement objectives while protecting the constitutional rights and procedural fairness that are the hallmark of a just legal system. Until that intervention occurs, the law remains in an unsatisfactory state of uncertainty that betrays both the Supreme Court's intentions and the constitutional protections due to citizens accused under PMLA.

³⁹ Jitin Bhardwaj and Shivam Mishra, Prosecutions Under PMLA: Provisions and Key Issues, MONDAQ (May 15, 2024), <https://www.mondaq.com/india/money-laundering/1465588/prosecutions-under-pmla-provisions-and-key-issues>.