SATTREX CAPITAL

WEALTH THAT GROWS AND LASTS FOREVER • LEGAL PROTECTION SERIES

Section 6 Married Women's Property Act (MWPA)

Landmark Judicial Precedents on Statutory Trust, Creditor Immunity, Surrender Rights & Nomination

Under **Section 6 of the Married Women's Property Act, 1874 (MWPA)**, a policy of insurance effected by any married man on his own life, and expressed on the face of it to be for the benefit of his wife or children, creates an immediate **Statutory Trust**. So long as any object of the trust remains, the policy proceeds are **completely immune from the control of the husband, his creditors, and his estate**.

> **Statutory Core of MWPA Section 6(1):** "A policy of insurance effected by any married man on his own life, and expressed on the face of it to be for the benefit of his wife, or of his wife and children, or any of them, shall ensure and be deemed to be a trust for the benefit of his wife... and shall not, so long as any object of the trust remains, be subject to the control of the husband or to his creditors, or form part of his estate."

1. THREE LANDMARK JUDICIAL PRECEDENTS BREAKDOWN

1. LIC of India vs. Saubhagyachand T. Vasa & Anr.

Gujarat High Court | AIR 1981 Guj 36

Legal Question: Can the assured (policyholder) or the insurer unilaterally extinguish an MWP Act trust or stop paying premiums to defeat the rights of the beneficiary trustee?

Judicial Holding & Principles:

- **Trust Cannot Be Destroyed:** Once a policy is issued under Section 6 MWPA, a statutory trust is formed *ab initio*. The assured loses all ownership and control over the policy.
- **Right of Special Trustee to Surrender:** If the assured expresses inability/unwillingness to pay further premiums, the Special Trustee (appointed under Section 6) is legally entitled to surrender the policy and recover the guaranteed surrender value for the sole benefit of the minor beneficiary.
- **Unilateral Act Invalid:** The non-payment of premiums or attempt to cancel the policy by the assured cannot destroy the trust. The court confirmed that the trustee has full legal standing to sue LIC for policy proceeds.

2. Harmeetpal Singh Bindra & Ors. vs. Citibank & Anr.

Delhi High Court | CS(COMM.) 604/2017 (Order Dated July 16, 2018)

Legal Question: Is the consent of the Court / Special Trustee required to surrender an MWPA policy, and do unit-linked policy proceeds belong to beneficiaries when minors attain majority?

Judicial Holding & Principles:

- **Protection Under Section 11 Indian Trust Act:** The court enforced Section 11 of the Indian Trust Act, holding that the trustee is bound to fulfill the trust purpose for the beneficiaries.
- **Surrender Mandate:** Where the mother was appointed Special Trustee and applied for surrender for the benefit of the minor beneficiaries, the insurance company was directed to release the entire valuation amount (₹1.27 Crores).
- **Judicial Confirmation:** The Court affirmed that even when minor beneficiaries attain majority during the suit, the proceeds remain strictly trust property and cannot be attached by external financial institutions or creditors.

3. Smt. Shanti Devi vs. Shri Ram Lal & Ors.

Allahabad High Court | AIR 1958 All 569

Legal Question: Does a simple Section 39 Nomination on a policy endorsement automatically attract Section 6 MWPA protection against decree-holders/creditors?

Judicial Holding & Principles:

Parameter	Section 39 Nomination (Insurance Act 1938)	Section 6 MWPA Statutory Trust
Timing of Creation	Can be made or altered subsequent to policy issuance.	**Must be expressed AB INITIO** (at the very inception) on the face of the policy.
Legal Status	Nominee is merely an authorized collector to receive money.	Beneficiary becomes absolute beneficial owner of the trust.
Creditor Protection	**NO PROTECTION.** Subject to court attachment for deceased's debts.	**100% IMMUNE.** Free from court attachments and creditors.

Crucial Ratio: The Court held that a mere subsequent nomination under Section 39 does NOT convert a standard policy into an MWPA trust. To claim protection under Section 6 MWPA, the policy must be *effected ab initio* for the benefit of the wife/children.

2. KEY EXECUTIVE SUMMARY: SECTION 39 NOMINATION VS. SECTION 6 MWP ACT

THE GOLDEN RULE OF ESTATE PROTECTION:

MWPA Section 6 Creates Unassailable Creditor Immunity

1. **Ab Initio Requirement:** Section 6 MWPA protection cannot be added as a afterthought via routine nomination. It must be selected during policy proposal endorsement.
2. **Creditor & Tax Immunity:** MWPA proceeds never enter the assured's estate, making them completely safe from bank attachments, insolvency proceedings, or business debt recoveries.
3. **Irrevocable Benefit:** The policyholder loses all rights to borrow loans or change beneficiaries without the trustee's explicit written consent.