Chapter V — Liability, Holding Out, Fraud and Whistleblowing

Separate LLP obligations from partner exposure, test actual/apparent authority, and apply the fraud and whistleblower exceptions.

Source review: 2026-07-18India-first legal implementationAuthors: CA Nikhil Gupta · Kajri Singh
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Finin2min Summary — Chapter in 2 Minutes

- Separate LLP obligations from partner exposure, test actual/apparent authority, and apply the fraud and whistleblower exceptions.
- Test authority, course of business, counterparty knowledge, fraud and personal conduct before assuming limited liability.
- Read every section with the amended Rules, current MCA form and the LLP agreement.
- Authority, source evidence, State stamp/registration and cross-law effects are separate closing gates.
- A portal acknowledgement is evidence of filing—not a substitute for legal accuracy or complete transaction documentation.

Section-by-section provision map

Provision	Subject	Legal effect / rule	Implementation	Evidence
26	Partner as agent	This provision regulates a partner, partnership	Reconcile agreement, consent, authority, valuation,	Keep signed agreement/deed, consent, valuation, payment/title

Provision	Subject	Legal effect / rule	Implementation	Evidence
		interest or contribution through partner as agent.	payment/vesting, capital account, tax and statutory filing.	evidence, ledger and filing acknowledgement.
27	Extent of liability of LLP	The LLP is generally liable for authorised business acts and partner wrongful acts in the course of business; LLP obligations are met from LLP property.	Use delegated-authority limits, counterparty verification, insurance and incident reporting.	Preserve engagement terms, authority trail, communications, supervision and causation evidence.
28	Extent of liability of partner	This provision regulates a partner, partnership interest or contribution through extent of liability of partner.	Reconcile agreement, consent, authority, valuation, payment/vesting, capital account, tax and statutory filing.	Keep signed agreement/deed, consent, valuation, payment/title evidence, ledger and filing acknowledgement.
29	Holding out	This section establishes the statutory rule concerning holding out.	Apply the chapter gate: Test authority, course of business, counterparty knowledge, fraud and personal conduct before assuming limited liability.	Retain the source instrument, approvals, signed documents, communications, financial trail and filing/order evidence relevant to the section.
30	Unlimited liability in case of fraud	Fraud can remove limited-liability protection and trigger severe civil/criminal consequences.	Escalate suspected deception, stop dissipation, preserve devices/ data, obtain privilege and isolate conflicted persons.	Maintain investigation hold, forensic trail, approvals, beneficiary tracing and remediation records.

Provision	Subject	Legal effect / rule	Implementation	Evidence
31	Whistle blowing	This section establishes the statutory rule concerning whistle blowing.	Apply the chapter gate: Test authority, course of business, counterparty knowledge, fraud and personal conduct before assuming limited liability.	Retain the source instrument, approvals, signed documents, communications, financial trail and filing/order evidence relevant to the section.

Finin2min clause-by-clause decode

Section 26 — Partner as agent

Legal effect: This provision regulates a partner, partnership interest or contribution through partner as agent.

Finin2min implementation: Reconcile agreement, consent, authority, valuation, payment/vesting, capital account, tax and statutory filing.

Evidence/control: Keep signed agreement/deed, consent, valuation, payment/title evidence, ledger and filing acknowledgement.

Section 27 — Extent of liability of LLP

Legal effect: The LLP is generally liable for authorised business acts and partner wrongful acts in the course of business; LLP obligations are met from LLP property.

Finin2min implementation: Use delegated-authority limits, counterparty verification, insurance and incident reporting.

Evidence/control: Preserve engagement terms, authority trail, communications, supervision and causation evidence.

Section 28 — Extent of liability of partner

Legal effect: This provision regulates a partner, partnership interest or contribution through extent of liability of partner.

Finin2min implementation: Reconcile agreement, consent, authority, valuation, payment/vesting, capital account, tax and statutory filing.

Evidence/control: Keep signed agreement/deed, consent, valuation, payment/title evidence, ledger and filing acknowledgement.

Section 29 — Holding out

Legal effect: This section establishes the statutory rule concerning holding out.

Finin2min implementation: Apply the chapter gate: Test authority, course of business, counterparty knowledge, fraud and personal conduct before assuming limited liability.

Evidence/control: Retain the source instrument, approvals, signed documents, communications, financial trail and filing/order evidence relevant to the section.

Section 30 — Unlimited liability in case of fraud

Legal effect: Fraud can remove limited-liability protection and trigger severe civil/criminal consequences.

Finin2min implementation: Escalate suspected deception, stop dissipation, preserve devices/data, obtain privilege and isolate conflicted persons.

Evidence/control: Maintain investigation hold, forensic trail, approvals, beneficiary tracing and remediation records.

Section 31 — Whistle blowing

Legal effect: This section establishes the statutory rule concerning whistle blowing.

Finin2min implementation: Apply the chapter gate: Test authority, course of business, counterparty knowledge, fraud and personal conduct before assuming limited liability.

Evidence/control: Retain the source instrument, approvals, signed documents, communications, financial trail and filing/order evidence relevant to the section.

Finin2min implementation explanation

Authority and misconduct gate. Test authority, course of business, counterparty knowledge, fraud and personal conduct before assuming limited liability. Convert the chapter into an owner, trigger, due date, approval, filing, evidence and exception workflow; the LLP agreement and portal records must be reconciled at each event.

Practical examples and calculations

Example 26: Partner as agent

An LLP takes action under section 26 (Partner as agent) using an unsigned email approval and updates neither its agreement nor statutory records. The control response is to identify the competent authority, document the effective date, complete the prescribed filing and retain evidence before treating the action as closed.

Calculation/control: Exposure and timing must be computed from the actual statutory trigger, days of delay, prescribed caps, consideration/contribution, tax base and State duty schedule; retain the calculation sheet and source date.

Example 27: Extent of liability of LLP

A partner signs a purchase order above the internal approval limit. Liability turns on actual authority, counterparty knowledge and course of business. Preserve the delegation matrix and communications.

Calculation/control: Exposure and timing must be computed from the actual statutory trigger, days of delay, prescribed caps, consideration/contribution, tax base and State duty schedule; retain the calculation sheet and source date.

Example 28: Extent of liability of partner

An LLP takes action under section 28 (Extent of liability of partner) using an unsigned email approval and updates neither its agreement nor statutory records. The control response is to identify the competent authority, document the effective date, complete the prescribed filing and retain evidence before treating the action as closed.

Calculation/control: Exposure and timing must be computed from the actual statutory trigger, days of delay, prescribed caps, consideration/contribution, tax base and State duty schedule; retain the calculation sheet and source date.

Example 29: Holding out

An LLP takes action under section 29 (Holding out) using an unsigned email approval and updates neither its agreement nor statutory records. The control response is to identify the competent authority, document the effective date, complete the prescribed filing and retain evidence before treating the action as closed.

Calculation/control: Exposure and timing must be computed from the actual statutory trigger, days of delay, prescribed caps, consideration/contribution, tax base and State duty schedule; retain the calculation sheet and source date.

Example 30: Unlimited liability in case of fraud

An LLP takes action under section 30 (Unlimited liability in case of fraud) using an unsigned email approval and updates neither its agreement nor statutory records. The control response is to identify the competent authority, document the effective date, complete the prescribed filing and retain evidence before treating the action as closed.

Calculation/control: Exposure and timing must be computed from the actual statutory trigger, days of delay, prescribed caps, consideration/contribution, tax base and State duty schedule; retain the calculation sheet and source date.

Example 31: Whistle blowing

An LLP takes action under section 31 (Whistle blowing) using an unsigned email approval and updates neither its agreement nor statutory records. The control response is to identify the competent authority, document the effective date, complete the prescribed filing and retain evidence before treating the action as closed.

Calculation/control: Exposure and timing must be computed from the actual statutory trigger, days of delay, prescribed caps, consideration/contribution, tax base and State duty schedule; retain the calculation sheet and source date.

Practical transaction application

At transaction opening, identify the section trigger, governing agreement clause, signatory authority, prescribed form/rule, State instrument requirement, tax/GST consequence, counterparty condition precedent and post-closing filing. Do not release consideration until documentary conditions are satisfied.

Authority, consent and execution controls

Maintain a reserved-matters matrix, partner/designated-partner consent register, delegation limits, DSC custody log, conflict declarations and external signatory evidence. A partner’s business role does not automatically prove authority for every act.

Stamp duty and registration alerts

The LLP Act is central, but LLP agreements and many transaction instruments are stamped under State law. Property, security, assignment, conversion, lease and power-of-attorney instruments may also require registration. Obtain State-specific advice before execution and before filing Form 3 or completing a conversion.

Evidence and document-retention checklist

- Current statutory source and amendment log
- Stamped LLP agreement and every amendment
- Partner/designated-partner consent and KYC
- Authority/reserved-matters matrix
- Signed forms and attachments
- SRN, challan and acknowledgement
- Books, bank and tax/GST reconciliation
- Contracts, invoices, delivery and acceptance
- Notices and proof of service
- Valuation/title/security documents
- Legal opinions, orders and appeal records
- Exception, correction and mitigation log

Preserve the current stamped LLP agreement and amendments; partner/designated-partner KYC and consent; resolutions; authority matrix; filed forms and attachments; SRNs/challans; books and bank/tax reconciliations; contracts; notices; delivery/acceptance evidence; legal opinions; orders; and a source/version register.

Performance, delivery and payment controls

Use milestones, acceptance criteria, invoices, tax documents, payment approvals, set-off/withholding limits, change orders, service levels, audit rights and termination handover. Align commercial performance records with the LLP's authority and accounting records.

Breach, loss, mitigation and remedy framework

Issue a fact-specific notice, stop continuing loss, preserve evidence, suspend unauthorised access, quantify direct and consequential exposure, consider insurance/indemnity, cure regulatory filings, avoid admissions and document mitigation. Fraud, false statements and continuing defaults require immediate escalation.

Limitation and forum controls

Classify the claim—agreement, contribution, debt, indemnity, fraud, statutory penalty, oppression/arrangement, property or tax—then identify accrual, acknowledgement, exclusion/condonation and competent forum. Do not copy a generic three-year period into every dispute.

Arbitration and mediation interface

Draft arbitration/mediation clauses for inter se contractual disputes, seat, institution, appointment, interim relief, confidentiality and emergency relief. Statutory filings, adjudication, criminal offences, Special Court, Registrar or Tribunal powers cannot be contracted away.

Company, partnership, GST and tax overlays

Read this chapter with the LLP Rules and current forms, the stamped LLP agreement, Indian Contract Act, Specific Relief, Limitation, Arbitration/Mediation, Companies Act cross-application, Income-tax, GST, FEMA, IBC, DPDP, employment and sector licences.

Finin2min Q&A

What is the central risk in Liability, Holding Out, Fraud and Whistleblowing?

Separate LLP obligations from partner exposure, test actual/apparent authority, and apply the fraud and whistleblower exceptions.

What is the first control before acting?

Identify the exact current Act section, amended Rule/form, LLP agreement clause, authority and State-law instrument requirement.

Can additional fee cure the entire default?

No. It may permit delayed filing, but substantive contravention, false statement, civil penalty, criminal exposure or transaction defects require separate analysis.

Does MCA acceptance prove legal validity?

No. Acceptance is important evidence, but it does not automatically cure authority, stamping, registration, tax, fraud or inaccurate disclosure.

Can the LLP agreement override the Act?

It can structure inter se rights where the Act permits, but cannot override mandatory statutory duties, public filings or regulatory powers.

What should be retained?

Keep signed source documents, approvals, filings and receipts, accounting/tax trail, notices, delivery evidence and the legal source/version relied on.

Can every dispute be arbitrated?

No. Contractual partner/LLP disputes may be arbitrable, while Registrar, adjudication, criminal, Special Court and Tribunal powers remain statutory.

Chapter-specific decision flowchart

Decision flowchart for Chapter V — Liability, Holding Out, Fraud and Whistleblowing

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