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ASSESSING THE TREATMENT OF CONTINGENT CLAIMS UNDER 2026 IBC AMENDMENT: PARADOX OF THE CLEAN SLATE

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Abstract

The "Clean Slate Theory" of the Supreme Court has for long been the ultimate bedrock of the Insolvency and Bankruptcy Code (IBC) giving comfort to incoming investors that they won't be haunted by the past ghosts of a corporate debtor. But this absolute armor is facing a sophisticated reckoning in 2026: The treatment of contingent claims. This article explores the high-stakes tension between affording a successful bidder total commercial finality and respecting the rights of creditors whose claims remain in court, sub judice, or yet to crystallize. The easy procedural way out has always been to take the path of least resistance and value these huge, sub-judice liabilities at a token sum of INR 1. But a massive judicial pivot in 2025, known as the "Transparency Exception", has completely rewritten the rules. The courts have held that the clean slate would not be available to a Successful Resolution Applicant ('SRA'), in the event of a conscious and deliberate non-disclosure of liabilities by the Corporate Debtor or the Resolution Professional.

By analyzing these landmark 2025 rulings along with the structural overhauls of the newly enacted IBC Amendment Act, 2026, this paper argues that the Clean Slate Theory has officially moved from a "Absolute Shield" to a "Conditional Privilege". The author questions whether the mechanical "INR 1" admission really settles a claim or merely defers a ticking constitutional crisis. A proposal for a standardized rule-based valuation framework is made to safeguard the commercial wisdom of Committee of Creditors without sacrificing basic equity.

<u>Keywords</u>: *Insolvency, Bankruptcy, Clean Slate Theory, Contingent Claims, INR 1 Admission.*

INTRODUCTION: THE INTERSECTION OF FINALITY AND CONTINGENCY

The intersection of the fresh slate theory and contingent claims stands as one of the most volatile and intellectually charged frontiers in modern Indian insolvency law. Far from being a mechanical tool for debt recovery, the Insolvency and Bankruptcy Code, 2016 was built as an engine for

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economic rehabilitation, a systemic framework engineered to maximize asset value while assuring incoming investors of absolute commercial finality.

However, the treatment of contingent claims, those lingering liabilities that remain uncrystallized, fiercely disputed, or caught in protracted litigation when a corporate resolution plan is finalized, reveals a deep structural friction. Because these claims depend entirely on future uncertainties, they fundamentally clash with the unyielding certainty guaranteed by the fresh slate principle.[2] As commercial courts struggle with multi-million dollar liabilities trapped in long arbitral corridors, the issue deepens from a procedural inquiry into a foundational dilemma: can a corporate slate ever truly be considered clean if it wipes away legitimate, yet unquantified, substantive rights?

UNDERSTANDING THE FRESH SLATE THEORY UNDER THE IBC

Legal Foundation and Principles

At the very heart of corporate rescue in India lies the "fresh slate" theory, more commonly recognized as the clean slate doctrine. It became an unshakeable pillar of our restructuring architecture when the Supreme Court handed down its definitive ruling in *Committee of Creditors of Essar Steel India Limited v. Satish Kumar Gupta & Ors.*[3] Statutorily, this principle anchors itself in Section 31(1) of the IBC, a provision engineered to ensure that once the Adjudicating Authority blesses a resolution plan, it binds every single stakeholder including corporate debtor, creditors, employees and government or any local authorities.[4]

Articulating the economic logic behind this rule, the Apex Court emphasized that an incoming investor should not be plunged into a state of post-acquisition commercial panic over historical, unseen liabilities:

"A successful resolution applicant cannot suddenly be faced with 'undecided' claims after the resolution plan submitted by him has been accepted as this would amount to a hydra head popping up which would throw into uncertainty amounts payable by a prospective resolution applicant who successfully takes over the business of the corporate debtor."[5]

This judicial framework serves three vital economic purposes. First, it provides absolute commercial visibility to the Successful Resolution Applicant (SRA) facilitating precise asset valuation and risk modeling. Second, it insulates the revived corporate entity from being pulled back into financial distress by historical defaults. Finally, it mitigates systemic risk across the wider credit market, thereby encouraging competitive bidding for distressed corporate assets.

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[2]See Committee of Creditors of Essar Steel India Ltd. v. Satish Kumar Gupta, (2020) ibclaw.in 182 SC
[3](2020) ibclaw.in 182 SC
[4] Insolvency and Bankruptcy Code, 2016, No. 31, Acts of Parliament, 2016, § 31(1).
[5]Committee of Creditors of Essar Steel India Ltd. v. Satish Kumar Gupta,(2020) ibclaw.in 182 SC, at ¶ 105.

Statutory Solidification and Supreme Court Consolidations

Recognizing how much was at stake, Parliament quickly stepped in to reinforce the judiciary's stance, passing the 2019 Amendment to Section 31(1) to explicitly declare that an approved resolution plan binds Central, State, and local tax authorities just like any other creditor. [6] The courts later clarified that this amendment wasn't creating a new rule but simply stating what had always been true from the Code's very inception, effectively stripping statutory bodies of any claim to exceptional immunity from the insolvency reset.

The doctrine reached its absolute zenith in *Ghanashyam Mishra & Sons Private Limited v. Edelweiss Asset Reconstruction Company Limited*, where the Supreme Court drew an iron curtain around the clean slate shield. [7] The Court ruled that the moment a resolution plan is approved, any past dues whether statutory or otherwise, which do not form part of the plan stand completely and irrevocably extinguished. This left no room for ambiguity: a new owner i.e. SRA takes over the enterprise with a clean slate, entirely insulated from the ghosts of historical liabilities.

NATURE AND STATUS OF CONTINGENT CLAIMS UNDER THE IBC

Definitional Framework and Commercial Environments

Although the statutory text of the IBC omits a formal definition of contingent claims, insolvency jurisprudence has consistently mapped them under the expansive definition of a term 'claim' under Section 3(6)of the Code.[8] The statute covers any "right to payment, whether or not such right is reduced to judgment,fixed, disputed, undisputed, legal, equitable, secured, or unsecured."[9]In the messy reality of corporate commerce, these contingent claims usually materialize across highly volatile legal battlegrounds whether they are trapped in pending arbitrations, buried under multi-layered civil or tax disputes, tied up in contested indemnity clauses, or sitting quietly as corporate bank guarantees that remain uninvoked at the exact moment of the CIRP commencement. [10]

These structural claims throw a massive challenge into standard insolvency accounting. Because their ultimate validity and exact price tag depend entirely on future, independent judicial or factual twists, they simply refuse to be neatly boxed into traditional balance sheets.

Regulatory Treatment and the Infamous "INR 1" Practice

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[6] Insolvency and Bankruptcy Code (Amendment) Act, 2019, No. 26, Acts of Parliament, 2019
[7](2021) ibclaw.in 54 SC
[8]Insolvency and Bankruptcy Code, 2016, No. 31, Acts of Parliament, 2016, § 3(6).
[9] Id
[10] Export Import Bank of India v. Resolution Professional JEKPL Pvt. Ltd., (2018) ibclaw.in 52 NCLAT

To bridge this administrative gap, the Insolvency and Bankruptcy Board of India (IBBI) introduced specific enabling regulations. Regulation 14 of the IBBI (CIRP) Regulations, 2016 dictates that where the precise value of a claim cannot be determined due to a contingency, the Resolution Professional (RP) shall make a'best estimate' of the claim amount based on available records.[11]The framework mirrors this proactive approach under Regulation 25 of the IBBI (Liquidation Process) Regulations, mandating a parallel estimation exercise if the company ultimately faces winding up.[12]

While international paradigms, such as the UNCITRAL Legislative Guide on Insolvency Lawstrongly advocate for the provisional admission of contingent claims at a realistic economic valuation,[13] Indian practice has developed a highly controversial mechanism. Yet, in the messy reality of daily practice, RPs frequently take the path of least resistance, routinely admitting massive, multi-million dollar sub-judice claims at a token value of just INR 1.[14] While this accounting trick technically checks the procedural box for collating claims, it completely wipes out the creditor's voting muscle inside the Committee of Creditors (CoC) and decimates their chances of any real recovery during final distribution.[15] This rigid reductionism has faced a significant criticism and triggered fierce academic and judicial backlash, for operating as an administrative bypass that sacrifices substantive fairness and equity on the altar of speed.

THE JUDICIAL OSCILLATION: FROM ABSOLUTE EXTINGUISHMENT TO POST-RESOLUTION QUANTIFICATION

The higher courts have frequently found themselves caught in a high-stakes tug-of-war over these volatile liabilities, swinging between a desire to grant absolute immunity to incoming investors and the need to carve out procedural lifelines for stranded creditors.

The Axis Bank and JEKPL Precedents

In the IBC's early phase of development, the National Company Law Appellate Tribunal (NCLAT) championed a generous, wide-open exclusive approach. Handing down landmark rulings in *Axis Bank Ltd. v. Edu Smart Services Private Limited*[16] and *Export Import Bank of India v. Resolution Professional JEKPL Private Limited*,[17] the tribunal firmly held that claims rooted in uninvoked corporate guarantees could not simply be ignored, they had to be admitted as valid contingent

[11] IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016, Reg. 14.
[12] IBBI (Liquidation Process) Regulations, 2016, Reg. 25.
[13]United Nations Commission on International Trade Law, UNCITRAL Legislative Guide on Insolvency Law 112-115 (2005)
[14] Committee of Creditors of Essar Steel India Ltd. v. Satish Kumar Gupta, (2020) ibclaw.in 182 SC
[15] Ignorance is Bliss: Analyzing the Treatment of Contingent Claims, INDIA CORP. LAW (Nov. 4, 2023), https://indiacorplaw.in.
[16](2017) ibclaw.in 42 NCLT
[17](2018) ibclaw.in 52 NCLAT

claims. The NCLAT pointed out a vital commercial reality: just because a debt hasn't matured or a formal default hasn't been triggered yet, it doesn't strip a creditor of their legal right to stake a claim while the insolvency window is open.

However, this creditor-friendly era short lived. The subsequent strict finality dictated by the Supreme Court in *Essar Steel*effectively slammed the brakes on the NCLAT's expansive reading. Supreme Court subordinated uninvoked guarantee liabilities to the strict timelines of the CIRP.[18]

The Fourth Dimension Shockwave Controversy

The structural finality of the clean slate suffered an unexpected disruption in *Fourth Dimension SolutionsLtd. v. Ricoh India Ltd. & Ors. (2022)*.[19] In this instance, the Supreme Court permitted an operational creditor, whose claim was unliquidated due to active arbitration, to continue its arbitral proceedings against the corporate debtor even after the formal approval of the resolution plan. This ruling triggered widespread commercial uncertainty, as it directly implied that certain contingent liabilities could pierce the clean slate shield and survive post-resolution. This unannounced exception by permitting the continuation of proceedings that had been stayed during the moratorium period, lead investors to fear of return of ‘hydra-headed’ liabilities.

The Adani Power Clarification

Recognizing the threat to investor confidence, the Supreme Court delivered a vital clarification in *AdaniPower Limited v. Shapoorji Pallonji and Co. Pvt. Ltd. (2023)*.[20] The Court decoupled the legal right to *quantify* a claim from the right to *enforce* it, establishing a bifurcated doctrine: adjudication and enforcement. Under this framework, a creditor can continue independent legal or arbitral proceedings strictly to calculate and quantify their contingent claim. However, even if they succeed and secure a favorable award, that determination has zero financial or liability bearing against the incoming SRA. The SRA remains bound only by the figures explicitly detailed in the resolution plan, leaving the creditor with a legally valid but financially un-enforceable victory against the core corporate asset. While this formula preserved the macroeconomic shield for the investor, it left the creditor with what critics describes as a ‘phantom remedy’, a legally validated debt decree with no viable asset pool left for execution.

THE FATE OF UNRAISED AND UNACCEPTED CONTINGENT LIABILITIES

[18](2020) ibclaw.in 182 SC
[19](2022) ibclaw.in 06 SC
[20](2023) ibclaw.in 338 SC

The fresh slate theory drops an absolute guillotine on any contingent claims that creditors fail to raise, or that are rejected by Resolution Professional, during the compressed CIRP window. [21] The exact moment the Adjudicating Authority gives its statutory stamp of approval to a resolution plan under Section 31(1); every unfiled or unaccepted claim is instantly and permanently extinguished.[22] While this ruthless finality strips stranded creditors of any hope for post-resolution recovery, but it achieves an essential economic goal as it completely shields the incoming investor from being blindsided by ghost liabilities from the company's past.

However, this systemic armor creates an intractable "catch-22" situation for creditors, who find themselves legally paralyzed from fighting for their claims due to the moratorium, even though they *must* establish their validity in order to keep them from being permanently erased under the fresh slate theory. [23] This creates an operational contradiction where the imposition of moratorium under Section 14 completely freezes the very lawsuits or arbitrations a creditor needs to pin down their exact dues, while the clean slate doctrine simultaneously demands that these claims be fully determined to survive the restructuring process. Ultimately, while this approach gives prospective buyers the critical commercial clarity they need to invest, it runs the dangerous risk of turning rigid procedural deadlines into a mechanical erasure of legitimate, yet unliquidated, substantive rights of the creditor.[24]

Critical Analysis and Practical Implications

Balancing Competing Interest

The impact of fresh slate theory on the contingent claims of the creditors reflects the serious struggle of Indian insolvency regime to balance the competing interests of the stakeholders. On one hand, the doctrine acts as an indispensable safety net for resolution applicants, offering the absolute commercial predictability needed to pull capital into distressed assets. On the other hand, however, it often leaves stranded creditors carrying the collateral damage wiping away their substantive rights simply because their claims have not had the chance to formally crystallize before the resolution clock runs out. The current framework falls short when dealing with contingent claims having

[21] Ghanashyam Mishra & Sons Private Limited v. Edelweiss Asset Reconstruction Company Limited (2021) ibclaw.in 54 SC.
[22] Insolvency and Bankruptcy Code, 2016, No. 31, Acts of Parliament, 2016, § 31(1).
[23] Nilay Mishra and Meghna Pareek, SECTION 32A OF THE IBC: FROM PRINCIPLES TO PRECEDENTS AND WHAT COMES NEXT, NLIU LAW REVIEW, ISSUE II, VOL XIV 2024-25
[24] Economic Law Practices, "NAVIGATING THE ROLE OF RESOLUTION PROFESSIONALS UNDER IBC: RESPONSIBILITIES, COMPLIANCE & EVOLVING JURISPRUDENCE", ELP IBC Booklet, (June, 2025)

genuine and substantial legal merit, but they cannot be established within the compressed CIRP timeline and find their doors slammed shut due to external procedural constraints.

International Comparative Perspective

When looking at the global standards, and it becomes clear that other major insolvency frameworks refuse to back themselves into such a rigid corner rather they carve out more flexible path in comparison to the India's rigid model. Take the United States, for example: instead of pretending these unpredictable liabilities don't exist, the US Bankruptcy Code openly wrestles with them, providing practical legal mechanisms to estimate the value of contingent claims and explicitly recognize them directly into corporate restructuring plans.[25] In the same manner, the UK takes a similarly pragmatic approach; its Insolvency Act allows these wildcards to be provisionally admitted at a reasonable estimate, actively protecting a creditor's voting muscle and their recovery right before they are completely shut out.[26] India's uncompromising style undoubtedly gives an incoming buyer unmatched peace of mind by providing greater certainty and finality, but it stands increasingly isolated on the global stage, drawing sharp criticism for being overly restrictive for sacrificing basic commercial fairness on the altar of absolute finality.

THE 2025 PARADIGM SHIFT: THE "TRANSPARENCY EXCEPTION"

As we move through the 2026 legal landscape, the absolute immunity that was granted to the Successful Resolution Applicant against any past dues of the Corporate Debtor, under the clean slate doctrine has faced its most significant reckoning. The Judiciary tends to shift away from a rule of blind, unconditional finality, and instead moving towards a system of disclosure-linked protection, a major jurisprudential pivot now known as the "Transparency Exception."

Genesis and Evolution: The Empee Distilleries Principle

The exception to the finality of the resolution plan and extinguishment of unraised and undecided claims and the crack in the shield of clean slate doctrine emerged from a ruling of the Madras High Court 2025, reaching a definitive flashpoint in the matter of *Empee Distilleries Ltd. v. The Superintending Engineer.*[27] In this matter, the High Court ruled that the protection guaranteed under Section 31(1) to the Corporate Debtor with regards to its past debt, is not an absolute automatic privilege, rather it is directly tied to the requirement of procedural transparency during the CIRP.

[25] 11 U.S.C. § 502(c) (2018).
[26] Insolvency Act 1986, c. 45, § 322 (UK).
[27] Empee Distilleries Ltd. v. The Superintending EngineerPudukottai Electricity Distribution Circle and Ors., (2025) ibclaws.in 520 HC

Under this newly forged Empee Distilleries framework, if a contingent claim or statutory liability was clearly sitting on the corporate debtor's books or was well within the actual knowledge of the corporate management, but was intentionally buried, suppressed, concealed, or hidden from the Resolution Professional or the CoC, the clean slate theory will completely fail to protect the company.[28] The court pointed out the fundamental purpose behind the clean slate doctrine that it was judicially designed to save innocent incoming investors (SRA) from genuine commercial blindness and unexpected, "hydra-headed" corporate surprises; it was never meant to serve as a legal asylum to sanitize deliberate corporate concealment or paint over administrative fraud.

The Modern Status of Claims

Consequently, across today's 2026 landscape, the clean slate doctrine has definitively evolved from an absolute shield into a conditional privilege. If a Successful Resolution Applicant (SRA) cuts corners on their due diligence, or if the internal machinery of the CIRP actively suppresses a known, sub-judice liability, that trapped contingent claim can violently break through the Section 31 barrier and be revived against the corporate debtor after the completion of resolution process, completely altering the risk profile of distressed asset acquisitions.[29]

LEGISLATIVE REBALANCING AND STRATEGIC ROADMAP FOR HARMONIZATION

The operational gridlock over the treatment of contingent liabilities under the Indian Insolvency regime has reached a critical breaking point. With the absolute finality originally promised by the ‘Clean Slate Theory’ clashing directly with the judicially backed ‘Transparency Exception,’ finding a middle ground is no longer just a theoretical debate, it is an economic and regulatory necessity and survival requirement to rebalance the both. Parliament stepped into this arena with structural modifications first proposed in the Insolvency and Bankruptcy Code (Amendment) Bill, 2025[30] which have now officially been codified under the Insolvency and Bankruptcy Code (Amendment) Act, 2026.[31] This updated framework offers a concrete empirical blueprint designed to protect incoming buyers and future investors while throwing a fair lifeline to stranded creditors.

Mandating Information Utilities for Independent Discovery

The 2026Amendment moves away from the traditional, passive model of claim discovery, where an RP relies entirely on physical submissions by creditors or interested parties. There is a mandate

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[28]Reflecting on the Madras High Court Judgment: Transparency and the Clean Slate Theory in IBC, CBCL NLIU (June 2025)
[29]Empee Distilleries Ltd. v. The Superintending Engineer,(2025) ibclaws.in 520 HC.
[30]The Insolvency and Bankruptcy Code (Amendment) Bill, 2025, Bill No. CXIV of 2025 (India)
[31]Insolvency and Bankruptcy Code (Amendment) Act, 2026, No.6, Acts of Parliament, 2026

upon the Resolution Professional that the must independently map, cross-verify, and track all potential contingent liabilities and pending litigations against centralized electronic registries and Information Utilities (IUs).[32] This technological mandate addresses the root cause of the *Empee Distilleries* crisis by significantly reducing the possibility of deliberate nondisclosure by legacy management.Under this proactive system, an Resolution Professional can no longer plead ignorance regarding unfiled statutory dues or ongoing arbitrations if the records or digital footprints of such liabilities are available anywhere in an interconnected state or financial database.

Overhauling the "INR 1" Practice:Statutory Valuation Frameworks and Section 18(b)

A primary failure points in previous insolvency cycles was the lazy administrative habit of shrinking a pending, multi-million dollar commercial lawsuit down to a token value or nominal sum of just INR 1. The 2026 Act directly tackles this problematic "INR 1" nominal admission shortcut head-on. To permanently fix this structural glitch, the legislature the Amendment Act, 2026 inserted a definitive statutory Explanation directly into Section 18(b) of the principal Code.[33]This clause establishes that the interim resolution professional, resolution professional, or liquidator holds an absolute statutory obligation to not merely list, but strictly verify the actual economic substance of the claims rather than just rubber-stamping a nominal figure. Where an unresolved claim is imprecise, unliquidated, or dependent on a future contingency, the statute dictates that they must calculate its value using predictive, rule-based valuation frameworks explicitly prescribed by the IBBI, rather than assigning arbitrary nominal values.[34]It empowers the IBBI to issue data-driven, standardized valuation metrics designed to replace arbitrary nominal pricing.[35]

Furthermore, the Legislaturecould have moved a step forward anddrawn inspiration from Section 502(c) of the United States Bankruptcy Code,[36]by introducing the concept of ‘provisional admission pool mechanism’which allows for a dedicated financial buffer within the resolution plan to handle contingent claims if they eventually crystallize post-resolution. Similarly, Section 322 of the United Kingdom Insolvency Act 1986 authorizes provisional estimation mechanisms to preserve fair creditor voting representation and distribution channels without disrupting restructuring speed.[37]

Codifying the Clean-Slate Shield via amendment to Section 31

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[32]Insolvency and Bankruptcy Code, 2016, § 18(1)(a)(v), No. 31, Acts of Parliament, 2016 (India); *see also* Ministry of Corporate Affairs, *Rules and Centralized Verification Framework for Information Utilities Under Corporate Insolvency*, Government of India Notification (issued under the 2026 implementation guidelines).

[33]Insolvency and Bankruptcy Code, 2016, § 18, as amended by Insolvency and Bankruptcy Code (Amendment) Act, 2026, cl.11

[34] Report of the Insolvency Law Committee on Contingent Liabilities, Insolvency Law Committee, Ministry of Corporate Affairs, Government of India, ¶ 4.2 (Dec. 2025)

[35]Report of the Insolvency Law Committee on Contingent Liabilities, IBBI (Dec. 2025).

[36]11 U.S.C. § 502(c) (2018).

[37] Insolvency Act 1986, c. 45, § 322 (UK); see also UNCITRAL, Legislative Guide on InsolvencyLaw, at 112–115 (2005).

Simultaneously, the IBC Amendment Act, 2026 addresses the investor's anxiety regarding the post-resolution litigation by introducing specific, clear subsections under Section 31 of the Act.[38]This critical amendment converts the clean slate principle from a fluid, common law doctrine derived from the judiciary into a mandatory statutory requirement.[39]The newly codified text makes it expressly clear that once the resolution plan receives the formal stamp of approval by the Adjudicating Authority, all previous undisclosed, unfiled or rejected claims shall be totally and permanently extinguished as a matter of statutory laws, unless expressly saved or kept alive under the specific terms of the approved resolution plan.[40]This amendment provides incoming capital with absolute statutory immunity and restores commercial finality, while ensuring that any exception to the clean slate rule remains tightly controlled by the terms of the resolution plan itself.

Comprehensive Operational Reform and IBBI Regulatory Implementation

To ensure that these legislative changes successfully work on the ground, to ensure its operational practice rather than just look good on paper, to ensure its operational practice the IBBI must establish standardized operational and regulatory framework. First, the regulator needs to design standardized mathematical metrics driven by probability-weighted risk modeling.[41] Resolution Professional must evaluate contingent liabilities by assessing the current procedural stage of the litigation, where the lawsuit actually stands, historical legal trends, and formal risk assessments from independent legal experts. This data-driven strategy would replace the earlier arbitrary admission of contingent claims on the basis of INR 1 mechanism with the realistic valuations of the claims, restoring the fair voting weightage to contingent creditors within the CoC.

Second, the procedural timeline needs to incorporate enhanced notification mandates and extended submission windows tailored specifically for complex, massive commercial claims. Resolution Professionals should be required to cast a wider digital outreach and cross-reference records across various statutory databases, ensuring that minor procedural delays do not mechanically erase a genuine institutional claim. By coordinating independent technological discovery, rule-based probability valuations, and clear statutory finality under Section 31, the updated framework effectively harmonizes investor's protection with creditor equity, building a far more resilient and balanced credit ecosystem.

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[38]Insolvency and Bankruptcy Code, 2016, § 31, as amended by Insolvency and Bankruptcy Code (Amendment) Act, 2026, cl.19.

[39] See Committee of Creditors of Essar Steel India Ltd. v. Satish Kumar Gupta, (2020) ibclaw.in 182 SC; Ghanashyam Mishra & Sons Pvt. Ltd. v. Edelweiss Asset Reconstruction Co. Ltd., (2021) ibclaw.in 54 SC.

[40]Insolvency and Bankruptcy Code, 2016, § 31(6) , as amended by Insolvency and Bankruptcy Code (Amendment) Act, 2026, cl.19 (6).see also PwC India, Insolvency Regulatory Insights:Analysis of the 2025 Amendments, PwC LEGAL POLICY SERIES (Jan. 2026).

[41] Regulation 14, IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016 [as proposed to be amended by IBBI Exposure Draft, Feb. 2026].

CONCLUSION

The journey of the fresh slate theory in relation to the contingent claims under the Indian Insolvency regime exposes the ultimate tightrope walk of insolvency law, a persistent tension or relentless tug-of-war between two fundamental legal values: absolute commercial finality and substantive equity. While the absolute stance taken by the Supreme Court in *Essar Steel* and *Ghanashyam Mishra* was a necessary to restore the investors' confidence in India's distressed asset market, its rigid execution ran a dangerous risk in turning the insolvency framework designed for corporate rescue into an unattended tool that quietly erased legitimate, yet unquantified claims of the creditor.

The judicial birth of the "Transparency Exception" in 2025, paired with the sweeping overhauls of the IBC Amendment Act, 2026, represents a vital step towards a more balanced legal framework. At present time, the clean slate remains a powerful, essential and indispensable tool for corporate restructuring, but the law has finally stripped it of its blindfold. It is no longer an automatic entitlement rather a conditional privilege deeply tied to procedural honesty. By moving away from the arbitrary "INR 1" valuations now the insolvency process focuses towards sophisticated, tech-driven, data-backed provisional tracking. The Legislature took a progressive step in aligning the India's Insolvency framework with the global standards. This evolution proves that the investor security and creditor equity can coexist, paving the way for a far more stable and mature credit ecosystem.