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TERMINATION VALID ON ACCEPTANCE OF NOTICE PAY

The Delhi High Court (**HC**), in *Pankaj Vaid* case¹ held on March 13, 2026, that when an employee accepts their termination and the appropriate notice pay, then such termination shall be valid and cannot be considered arbitrary.

Brief Facts

Pankaj Vaid (**Vaid**) was appointed as ‘Manager (I)’ with ICICI Limited (**ICICI**) in 2007. In 2009, Vaid was promoted as Area Manager. However, Vaid noticed that he had not received his salary for June 2009. He made queries regarding the same but did not receive a satisfactory response. On 7 July 2009, Vaid received a termination letter (**TL**) stating that his services stand terminated from 5 June 2009. He contended that his termination was as unfair.

Thereafter, Vaid served legal notice upon ICICI seeking recall of the termination and a compensation of INR 20 lac to which ICICI did not respond. Subsequently, Vaid filed a suit for setting aside the termination, loss of salary and mental suffering. The Trial Court (**TC**) concluded that the termination was valid as Vaid was given three (3) months’ salary in lieu of notice pay, which he accepted. Aggrieved by the TC’s decision, Vaid appealed before the HC seeking the termination to be set aside and seeking INR 50 lacs towards compensation, and INR 20 lacs on account of mental suffering and loss of salary.

Vaid’s Contentions

- ICICI could terminate him only on certain specific grounds detailed in his appointment letter of 2007 (**Appointment Letter**), none of which had been set out in his termination letter. Therefore, his termination was arbitrary, unethical and unfair.
- He suffered from mental injury owing to the unlawful termination, job stigma and future prospects of employment were hampered on account of termination of his service.

ICICI’s Contentions

- The Appointment Letter had provision permitting termination of services by giving 90 days’ notice or payment in lieu of the notice period.

¹ *Pankaj Vaid v ICICI Bank Limited & Anr.*, 2026 LiveLaw (Del) 287.

- Vaid was given a cheque equivalent to 90 days gross salary during his termination, in accordance with the terms of his Appointment Letter, which he had encashed.
- ICICI has no outstanding obligations towards Vaid.

HC's Judgement & Reasoning

The HC:

- Held that the Appointment Letter clearly stated that post confirmation of probation, Vaid's services could be terminated by ICICI by giving 90 days' notice or payment in lieu thereof;²
- Held that when an employee had accepted his termination and encashed the cheque towards pay in lieu of the notice period, the termination was valid and cannot be considered arbitrary; and³
- Upheld the TC's decision and dismissed Vaid's appeal.⁴

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² Paragraph 27 of the Judgement.

³ Paragraph 32 of the Judgement.

⁴ Paragraphs 33 and 34 of the Judgement.