

**IN THE KARNATAKA REAL ESTATE APPELATE TRIBUNAL,
BENGALURU**

DATED THIS THE 08th DAY OF OCTOBER, 2021

PRESENT

HON'BLE SRI B SREENIVASE GOWDA, CHAIRMAN

AND

HON'BLE SRI K P DINESH, JUDICIAL MEMBER

AND

HON'BLE SRI P S SOMASHEKAR, ADMINISTRATIVE MEMBER

APPEAL NO. (K-REAT) 371/2020

BETWEEN:

PURVANKARA LIMITED,
Having its registered office at
130/1 Ulsoor Road,
Bengaluru -560042.
Represented by its Authorized representative
Sonali Sylvia (Executive-Legal),
Age 25 years,

...APPELLANT

(By M/S JSM Law Partners , Advocate)

AND

1. Prakash S D
Residing at No.198,
Brahma Vijaya, 29th Cross,
Rajajinagar,
Bangalore-560010
2. The Real Estate Regulatory Authority, Karnataka
2nd Floor, Silver Jubilee Block,
Unity Building, CSI compound,
3rd Cross, Mission Road,
Bengaluru-560 027.
Represented by Secretary.

...RESPONDENTS

(Sri. H.Mallan Goud, Advocate for R-1
R-2 RERA -served unrepresented)

This Appeal is filed under Section 44(1) of the Real Estate (Regulation and Development) Act, 2016 (for short the RERA Act), before this Tribunal praying to set aside the impugned order dated 16.01.2020 passed in CMP/190511/0002977 by respondent No.2- Adjudicating Officer, RERA.

This appeal, coming on for orders, this day, Hon'ble Chairman delivered the following:

J U D G M E N T

This appeal has been preferred by a promoter of a real estate project on 17.11.2020 challenging the impugned order dated 16th January 2020 passed by the learned Adjudicating Officer in complaint NO.CMP/190511/0002977 directing the appellant to pay the delay compensation @ 2% above the MCLR of SBI on the principal amount paid under sale deed commencing from July 2018 till the date of execution of sale deed.

2. While preferring this appeal, the appellant has not even deposited the mandatory 30% of the amount awarded by the Adjudicating Officer. However, after granting sufficient time the appellant has deposited 30% of the amount on 04.12.2020. The appeal was admitted on 05.07.2021 and the appellant was directed to deposit the remaining 70% of the amount on or before 26.07.2021. The order dated 05.07.2021 reads thus:-

"1. Appellant is granted time finally up to 26.07.2021 to deposit the total amount payable to the allottee as per the impugned order by deducting the amount already deposited.

2. In the event of appellant depositing the total amount as ordered above, office to list the appeal for final hearing on 28.07.2021, or else list this appeal for dismissal.”

3. Thereafter on three occasions i.e., on 28.07.2021, 11.08.2021, 24.08.2021, the appellant was granted time to deposit the amount.

4. Finally by a detail order dated 20.09.2021, the appellant was directed to deposit the balance amount of 70% of the compensation awarded under the impugned order in compliance of proviso to Section 43(5) of the RERA Act within two weeks from the date of the said order.

5. Accordingly, when the matter is called today learned counsel for the appellant submits that the appellant is not in a position to deposit the remaining 70% of the amount payable to the allottee as per the impugned order as contemplated under the proviso to sub-section (5) of Section 43 of the RERA Act and appeal may be dismissed.

6. At this stage, Sri. H.Mallan Goud, learned counsel appearing for 1st respondent/allottee submits that in the event of this Hon'ble Tribunal dismissing the appeal, the amount deposited before this Tribunal in part compliance of proviso to Section 43(5) of the RERA Act may kindly ordered to be released in favour of 1st respondent.

7. In the light of the submission made by the learned counsel for the appellant that the appellant is not in a position to deposit the remaining 70% of the amount payable to the allottee as per the impugned order as contemplated under the proviso to sub-section (5) of Section 43 of the RERA Act, the point that arises for our consideration is:

I) Whether this Tribunal has got discretionary power to waive the deposit as contemplated under proviso to sub-section(5) of Section 43 of the RERA Act?

II) What order?

8. Before advertng to proviso to sub-Section (5) of Section 43 of the RERA Act, which contemplates pre-deposit by a promoter while filing an appeal, we deem it just and proper to refer to the latest decisions and law declared by the Hon'ble Supreme court of India on this aspect of the matter.

9. The Hon'ble Supreme court in the case of TECNIMONT PVT. LTD.(formerly known as Tecnimont ICB Private Limited) Vs. STATE OF PUNJAB AND OTHERS reported in 2019 SCC Online SC 1228, in Civil Appeal No. 7358/2019 and connected matters preferred by the assessee as well as State of Punjab challenging the validity of Judgment and order dated 23.12.2015 passed by the Hon'ble High Court of Punjab and Haryana at Chandigarh in Civil Writ Petition No. 26920 of 2013 and connected matters, raising questions about the

validity of Section 62(5) under the Punjab Value Added Tax Act, 2005, while considering the decision of the Hon'ble High Court on question (c)- "whether the first appellate authority in its right to hear appeal has inherent powers to grant interim protection against imposition of such a condition for hearing of appeals on merits?" wherein it was held that –"partial or complete waiver will be granted only in deserving and appropriate cases where the first appellate authority is satisfied that the entire purpose of the appeal will be frustrated or rendered nugatory by allowing the condition of pre-deposit to continue as a condition precedent to the hearing of the appeal before it. Therefore, the power to grant interim protection/injunction by the first appellate authority in appropriate cases in case of undue hardship is legal and valid..." , has broadly classified into two categories the principles laid down in the decisions of its court in the cases of (i) *The Anant Mills Co., Ltd v.State of Gujarat* (ii) *Seth Nand Lal v. State of Haryana* (iii) *Vijay Prakash D Mehta Vs Collector of Customs (Preventive), Bombay* (iv) *Shyam Kishore Vs Municipal Corporation of Delhi*, (v) *Gujarat Agro Industries Co. Ltd. Vs Municipal corporation of the city of Ahmadabad*, (vi) *State of Haryana Vs Maruti Udyog Ltd.* (vii) *Government of Andhra Pradesh Vs P. Laxmi Devi (Smt)*, (viii) *Har Devi Asnani Vs state of Rajasthan* (ix) *S E Graphites Private Limited Vs State of Telangana*:

“(a) Under the first category are the cases where the concerned statutory provision, while insisting on pre-deposit, itself gives discretion to the Appellate Authority to grant relief against the requirement of pre-deposit if the appellate Authority is satisfied that insistence on pre-deposit would cause undue hardship to the appellant. The decisions in this category are *The Anant Mills Co. Ltd*, *Vijay Prakash D Mehta, Gujarat Agro Industries Co. Ltd.*, *Maruti Udyog Ltd*.

(b) On the other hand, the decisions in said *Seth Nand Lal, Shyam Kishore, P. Laxmi Devi, Har Devi Asnani, and S E Graphites* dealt with cases where the statute did not confer any such discretion on the Appellate Authority and yet the challenge to the validity of such provisions was rejected.

10. The Hon’ble Supreme court, in para 29, considering the scope of Section 151 CPC as observed in (i) PADAM SEN v STATE OF UTTAR PRADESH-{AIR 1961 SC 218- paras 8 & 9}, (ii) MANOHAR LAL CHOPRA v SETH HIRALAL {AIR 1962 SC 527} and (iii) RAM CHAND AND SONS SUGAR MILLS (P) LTD. V KANHAYALAL BHARGAVA {AIR 1966 SC 1899} and observations made in respect of powers exercisable under section 482 Cr.P.C in NAIN SINGH v. KOONWARJEE {(1970)1 SCC 732} and SOORAJ DEVI v. PYARE LAL- {(1981)1 SCC 500}, has held as follows:

“ 29. If the inherent power the existence of which is specifically acknowledged by provisions such as Section 151 of CPC and Section 482 of the Cr.P.C.is to be read

with the limitation that exercise of such power cannot be undertaken for doing that which is specifically prohibited, same limitation must be read into the scope and width of implied power of an appellate authority under a statute. In any case the principle laid down in *Matajog Dobej* states with clarity that so long as there is no express inhibition, the implied power can extend to doing all such acts or employing such means as are reasonably necessary for such execution. The reliance on the principle laid down in *Kunhi* cannot go to the extent, as concluded by the High court, of enabling the appellate Authority to override the limitation prescribed by the statute and go against the requirement of pre-deposit. The High court was clearly in error in answering question(c)."

11. Further, the Hon'ble Supreme court in the case of UNION BANK OF INDIA v. RAJAT INFRASTRUCTURE PRIVATE LIMITED AND OTHERS -reported in (2020)3 SCC 770 -while dealing with Section 18 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, following its earlier ruling in the case of NARAYAN CHANDRA GHOSH v UCO BANK (2011)4 SCC 548 has held:

"...there was an absolute bar to the entertainment of an appeal under Section 18 of the Act unless the condition precedent, as stipulated, is fulfilled i.e., unless the borrower makes with appellate Tribunal, a pre-deposit.."

12. Recently, the Hon'ble Supreme court in the case of KOTAK MAHINDRA BANK PRIVATE LIMITED v AMBUJ A KASLIWAL AND

OTHERS –(2021)3 SCC 549, while dealing with Section 21 of the Recovery of Debts and Bankruptcy Act, 1993 held that:

“.....The High court does not have the power to waive the pre-deposit in its entirety, nor can it exercise discretion which is against the mandatory requirement of the statutory provision as contained in Section 21 of the said Act.”

Further, in the same Judgment, while referring to Section 18 of the SARFAESI Act, it has held:

“ ..We have no hesitation in holding that deposit under the second proviso to Section 18(1) of the Act being a condition precedent for preferring an appeal under the said section, the Appellate Tribunal had erred in law in entertaining the appeal without directing the appellant to comply with the said mandatory requirement.”

13. Now we would like to refer to proviso to Section 43(5) of the RERA Act which mandates that where a promoter files an appeal with the Appellate Tribunal, it shall not be entertained, without the promoter first having deposited with the Appellate Tribunal at least thirty percent, of the penalty, or such higher percentage as may be determined by the Appellate Tribunal, or the total amount to be paid to the allottee including interest and compensation imposed on him, if any, or with both, as the case may be, before the said appeal is heard.

14. By careful reading of the above proviso it is clear that pre-deposit is mandated under the following three categories of appeals to be filed by a promoter :

I CATEGORY:

When promoter prefers an appeal challenging any direction or order or decision of the Authority imposing penalty under Sections 59, 60, 61, 62, 63 and 64 of Chapter VII of the Act for contravention of provisions of Section 3, 4, other provisions of the Act, Sections 9 and 10 of the Act and for failure to comply with the orders of the authority and the appellate Tribunal respectively.

II CATEGORY:

When promoter prefers an appeal challenging any direction or order or decision of the Adjudicating Officer directing him to return the amount of the allottee including interest and compensation imposed on him, if any, or with both as the case may be for having failed to complete the project or is unable to give possession of an apartment, flat or building to the allottee in accordance with the terms of the agreement for sale or, as the case may be, duly completed by the date specified therein; or due to discontinuance of his business as a developer on account of suspension or revocation of the registration under this Act or for any other

reason, as contemplated under Sections 12,14,18 and 19 of the Act, where an allottee wishes to withdraw from the project.

III CATEGORY:

When promoter prefers an appeal challenging any direction or order or decision of the Adjudicating Officer directing him to pay compensation with or without interest or with both for delay in delivering possession of the apartment, flat or building in accordance with the terms of the agreement for sale or, as the case may be, duly completed by the date specified therein; or due to discontinuance of his business as a developer on account of suspension or revocation of the registration under this Act or for any other reason as contemplated under Sections 12, 14, 18 & 19 of the Act, where an allottee does not intend to withdraw from the project, but wishes to continue.

15. In all the above three categories of appeals to be preferred by a promoter, the Tribunal cannot entertain the appeal without the promoter first having deposited with the appellate Tribunal atleast 30% of the penalty imposed/amount ordered to be refunded/compensation awarded in the order impugned in the appeal.

16. In case of I category of appeals against the order of penalty imposed by the Authority, after the appeal is entertained by the Tribunal on deposit of 30% of the penalty, the promoter may be asked to deposit such higher percentage of penalty as may be determined by the appellate Tribunal, before the appeal is heard.

17. Whereas in case of II and III categories of appeals, the Tribunal after having entertained the appeal on deposit of 30% of the amount as ordered by the learned Adjudicating officer, cannot take up the appeal for hearing without the promoter depositing the total amount ordered to be refunded/paid to the allottee including interest and compensation imposed on him, if any, or with both as the case may be as per the order impugned in the appeal, by excluding the amount if any already deposited.

18. Under II category of appeals, it is the amount of the allottee which the promoter is directed to return to the allottee on account of his failure to complete the project and deliver possession of the flat in accordance with the agreement.

19. Under III category of appeals, it is on account of delay on the part of the promoter in completing the project and delivering possession of the flat to the allottee in accordance with the terms of the agreement, the promoter is directed to compensate the allottee by paying delay compensation with or without interest on the amount received by him towards sale consideration.

20. In the light of the law laid down by the Hon'ble Apex court supra, we hold that under categories II and III, no discretion is given to the Tribunal under proviso to Section 43(5) of the Act to waive the pre-deposit of the amount awarded by the learned Adjudicating officer in the order impugned in the appeal and take up the appeal for hearing and the point raised for consideration is answered accordingly.

21. In view of our answer to Point No.(I) and considering the submission made by the learned counsel for the appellant that the appellant is unable to deposit the remaining 70% of the compensation amount as ordered by the learned Adjudicating Officer in the compliance of proviso to Section 43(5) of the Act, we pass the following:

ORDER

- (i) The appeal is dismissed for non-depositing of the total amount awarded to 1st respondent-allottee towards delay compensation as contemplated under proviso to sub-section (5) of Section-43 of the RERA Act;
- (ii) The Registry is directed to release the amount deposited by the appellant at the time of filing the appeal, in favour of the 1st respondent-allottee along with interest, if any, accrued thereon, after the appeal period is over, by issuing a banker's cheque or demand

draft in the name of Respondent No.1-allottee after following the due procedure.

- (iii) The Registry shall comply with the provisions of Section 44 (4) of the Act and return the records to RERA, if any.

There is no order as to costs.

Sd/-
HON'BLE CHAIRMAN

Sd/-
HON'BLE JUDICIAL MEMBER

Sd/-
HON'BLE ADMINISTRATIVE MEMBER

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