

## **Agreed contractual interest between parties of equal bargaining strength could not be termed unconscionable or contrary to public policy by the arbitrator**

The Supreme Court in the case of **BPL Limited vs Morgan Securities and Credits Private Limited [Civil Appeal Nos. 14565 - 14566 of 2025]** dated December 04, 2025, has held that the agreed contractual interest between parties of equal bargaining strength could not be termed unconscionable or contrary to public policy. Accordingly, the Court dismissed BPL Limited's challenge to an arbitral award directing payment of over ₹27 crore with contractual interest, holding that the 36% p.a. rate under the Bill Discounting facility was part of a voluntary commercial bargain and could not be interfered with.

The Supreme Court held that bill discounting is a short-term, high-risk commercial financing mechanism where elevated interest rates are neither unusual nor inherently unfair. The court held that the "maxim verba chartarum fortius accipiuntur contra proferentem" had no application because the sanction letters were clear, unambiguous commercial contracts negotiated between parties of equal bargaining strength, leaving no scope to construe any clause against the drafter.

The Court noted the Respondent's explanation that its business model was posited on the grant of such unsecured facilities for very short periods of time, allowing rapid redeployment of funds, and that a default disrupted this cycle for decades, resulting in loss. This made the compensatory contractual requirement of compounding in the case of defaulters neither penal nor improper. It further emphasised that Section 31(7)(a) embodies party autonomy, which governs arbitral interest unless a non-derogable legal bar applies.

The Court further held that the contract deliberately offered a concessional rate as an incentive for punctual repayment. "Withdrawal of such concession and the consequential levy of a higher rate, with compounding, cannot be faulted as being penal." Finding no violation of public policy or fundamental legal principles, the Supreme Court upheld the arbitral award in full.

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