

Developers are liable for the refund of the principal amount with interest to aggrieved homebuyers in cases of delay/ non-delivery, but they can't be held liable for interest on the personal loans taken by buyers to finance their homes

While deciding on the rights of homebuyers and the liabilities of real estate developers, arising from a dispute over delayed possession of flats in GMADA's 'Purab Premium Apartments' scheme launched in 2011 in Mohali, Punjab, the Supreme Court in the case of **Greater Mohali Area Development Authority (GMADA) vs. Anupam Garg & Ors. [2025 INSC 808] dated June 04, 2025**, has clarified that while developers must refund the principal amount with interest to aggrieved homebuyers in cases of delay or non-delivery, they cannot be held liable for paying interest on the personal loans taken by buyers to finance their homes.

As far as the background of the case is concerned, one Anupam Garg and others had booked flats in GMADA's project by paying 10% of the total cost as earnest money. The flats were to be handed over within 36 months from the issuance of the Letter of Intent, but when Garg visited the site in May 2015, he found that construction was incomplete and that possession was unlikely for another 2-3 years. He sought a refund and later filed a consumer complaint. The State Consumer Disputes Redressal Commission ruled in Garg's favour, ordering GMADA to refund the entire deposited amount (Rs. 50,46,250) with 8% interest compounded annually, and also ordered compensation for mental harassment and litigation costs, and directed GMADA to pay the interest on loans that Garg had taken from the State Bank of India for purchasing the flat.

GMADA then appealed to the National Consumer Disputes Redressal Commission (NCDRC), which upheld the State Commission's order. GMADA then approached the Supreme Court, challenging specifically the direction to pay the interest on Garg's housing loan.

The Supreme Court upheld the refund with 8% annual interest and compensation for mental harassment, but set aside the direction requiring GMADA to pay interest on the buyer's housing loan. The Court noted that while a developer is liable to pay interest for delayed possession (to compensate the buyer for the lost use of their money), it cannot be forced to pay interest on loans taken by buyers unless exceptional circumstances justify such an award.

The Court went on to observe that whether the buyers of the flat do so by utilizing their savings, taking a loan for such purpose, or securing the required finances by any other permissible means, is not a consideration that the developer of the project is required to keep in mind. The one who is buying a flat is a consumer, and the one who is building it is a service provider. That is the only relationship between the parties. Thus, the builder can't be asked to bear the loan interest amount as well.