

Supreme Court of India upholds consumer courts' statutory power to award compensation despite contractual restrictions

The Supreme Court of India ("**Supreme Court**"), in *Parsvnath Developers Limited vs. Mohit Khirbat*¹, *inter alia* held that: (a) delay in completion and handing over possession of flats to buyers who are consumers constitutes deficiency in service; and (b) the power of the consumer fora to grant just and reasonable compensation for such deficiency in service is statutory and cannot be curtailed by contractual terms operating to the detriment of the consumer.

Brief facts

The respondents, Mohit Khirbat and others, purchased flats in a real estate project developed by the appellant, Parsvnath Developers Limited. Parties had entered into 3 (three) separate Flat Buyer Agreements ("**Flat Buyer Agreements**"). Under the Flat Buyer Agreements, possession of the respective flats were required to be delivered within 36 (thirty-six) months from the commencement of construction of respective blocks in the real estate project, with a grace period of 6 (six) months. Despite payment of almost the entire sale consideration by the respondents, possession was not delivered by the appellant within the stipulated period.

The respondents filed consumer complaints before the National Consumer Disputes Redressal Commission, Delhi ("**NCDRC**") seeking *inter alia* delivery of possession, compensation, damages and costs. By 3 (three) separate Impugned Orders ("**Impugned Orders**"), the NCDRC allowed the consumer complaints and directed the appellant to *inter alia*: (a) complete the construction of the flats and hand over possession to the respondents within a timebound manner after obtaining the requisite occupancy certificate from the competent authority; (b) pay compensation by way of simple interest @ 8% per annum from the respective cut-off dates till actual delivery of possession; (c) pay/credit rebate for the specified period at the contractual rate; (d) pay litigation costs of INR 25,000 (Indian Rupees twenty-five thousand) to each respondent; and (e) bear any increase in stamp duty occurring after the stipulated dates. Aggrieved by the Impugned Orders, the appellant preferred 3 (three) civil appeals before the Supreme Court.

Before the Supreme Court, the appellant *inter alia* contended that: (a) the NCDRC exceeded its jurisdiction under Section 14² of the Consumer Protection Act, 1986 ("**CP Act**") by not giving due effect to the contractual terms; and (b) the respondents were not entitled to any damages or compensation by way of interest over and above what was stipulated under the Flat Buyer Agreements; and (c) the Flat Buyer Agreements cast the liability to bear stamp duty and registration charges on the respondents. In support of the Impugned Orders, the respondents *inter alia* contended that despite having paid nearly the entire sale consideration, the appellant had failed to complete the project or obtain requisite approvals including the occupancy certificate for over a decade and beyond the contractually agreed timeframe.

¹ 2026 INSC 170 (decided on February 20, 2026)

² Section 14 of the CP Act provides for the findings that may be recorded by a district forum in its order to the opposite party.

Issue

Whether the NCDRC exceeded jurisdiction under Section 14 of the CP Act by travelling beyond the contractual terms recorded in the Flat Buyer Agreements?

Findings and analysis

The Supreme Court dismissed the civil appeals and *inter alia* observed as follows:

1. it is a settled position in law³ that flat purchasers are consumers and any delay in handing over possession amounts to deficiency in service under the CP Act. In exercise of powers under Section 14 of the CP Act, the consumer fora are competent to redress such deficiency and award just and reasonable compensation commensurate with the injury suffered;
2. in *Pioneer Urban Land and Infrastructure Limited vs. Govindan Raghavan*⁴, the Supreme Court held that the one-sided and unreasonable clauses in builder buyer agreements constitute an unfair trade practice under Section 2(1)(r)⁵ of the CP Act and incorporation of such oppressive terms in a standard form contract, where purchasers have little or no bargaining power, cannot bind the consumer so as to defeat statutory remedies under the CP Act;
3. the provisions of the Flat Buyer Agreements⁶ stipulating compensation for delay were nominal and disproportionate, particularly in cases of prolonged delay causing financial strain and mental hardship. The statute does not impose any embargo on the grant of higher or reasonable compensation merely because the parties agreed to a particular clause, especially where such clause is found to be unfair or oppressive;
4. as delay in completion and handing over possession was undisputed, the NCDRC was well within its statutory remit in awarding reasonable compensation beyond the compensation envisaged in the Flat Buyer Agreements;
5. the power of consumer fora to grant just and reasonable compensation for deficiency in service is traceable to the statute and cannot be curtailed by contractual terms operating to the detriment of the consumer.

In light of the foregoing, the Supreme Court affirmed the Impugned Orders passed by the NCDRC and dismissed the Civil Appeals.

Conclusion

The Supreme Court has clarified that the power of consumer fora to award compensation for deficiency in housing services is a statutory power which cannot be curtailed or restricted by the nominal compensation clauses in builder-buyer agreements.

By holding that such restrictive stipulations cannot operate to the detriment of consumers, the judgment regulates the balance between contractual rights and statutory consumer protection, with significant implications for risk allocation in real estate transactions.

³ *IREO Grace Realtech Private Limited vs. Abhishek Khanna and Ors.* (2021) 3 SCC 241

⁴ (2019) 5 SCC 725

⁵ Section 2(1)(r) of the CP Act contains the definition of unfair trade practice.

⁶ Clause 10(c) of the Flat Buyer Agreements provided for compensation for delay at the rate of INR 10 (Indian Rupees ten) per sq. ft. per month.

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We have developed a leading consumer protection practise supported by a group of extraordinarily gifted and experienced solicitors with knowledge of the essential consumer law sector. Our team has experience in managing complex consumer cases at the national level in India. We are renowned for our proficiency in successfully defending the interests of our clients.

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- Advise on product liability issues and compliances;
- Advising on standards issued by the BIS and quality control orders including advisory in relation to inspection and enquiries by authorities;
- Advising on advertisement, packaging and labelling requirements.

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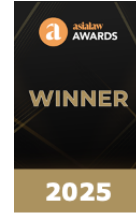
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