

Government can't stop developers from collecting extra charges: SC

The Economic Times, 29 Nov, 2010, 12:58AM IST, Sanjay K Singh, ET Bureau

NEW DELHI: The Supreme Court has ruled that the government cannot prohibit the developers from collecting additional charges such as extension fee and maintenance charges from the buyers of the plots under the provisions of Haryana Development and Regulation of Urban Areas Act and the prevailing rules and regulations in the state.

The government is not empowered to meddle with the transactions and put any restriction on the rights of the developers in the matter of sale and purchase of plots or flats, said the apex court.

It set aside the order of the Punjab & Haryana High Court, which had said that the government can restrain the developers from charging additional charges from the buyers of their plots.

The high court order was challenged in the apex court by real estate majors like DLF Universal, Ansal properties and others. "There is nothing in the Act (Haryana Development and Regulation of Urban Areas Act, 1975) the Rules (Haryana Development and Regulation of Urban Area Rules, 1976) and Regulations prohibiting the owner of the land to collect such charges from the buyer," said a bench comprising Justice B Sudershan Reddy and Justice SS Nijjar.

Extension fees are charged by the developers from the purchasers of the plots for non completion of the construction within the stipulated time period.

The provision for payment of extension fee has been provided for, according to the appellants (DLF Universal, Ansal and others), only in the interest of speedy development of each colony. It was also in order to prevent purchase of plots by speculators who may keep the plot vacant without making any construction to earn profit by selling it in future and such activities may prove detrimental to other purchasers, developers had said.

The court, however, said, "It is not necessary for us to express any firm opinion with regard to the plea so taken by the appellants in this proceeding."

According to the court, the statutory authorities have no role to play in fixing price and costs of land and rate at which the plots/flats are to be sold. The price charged by the owner for the plot is fixed and covered by the sale agreement entered into by and between the parties.