



Liability for Construction Delays Lies with Developer, Not Landowners: Supreme Court

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Delays in real estate projects frequently give rise to disputes between homebuyers, developers, and landowners. While developers are ordinarily responsible for the construction and delivery of flats, the involvement of landowners in joint development projects often raises complex questions of liability. In its recent decision in *Srigganesh Chandrasekaran & Others v. M/s Unishire Homes LLP & Others*¹, the Hon'ble Supreme Court of India addressed the extent to which landowners can be held liable for delays in construction carried out by developers under a Joint Development Agreement (JDA). The Court clarified that where contractual arrangements clearly allocate construction obligations to the developer, landowners cannot automatically be saddled with liability for delay compensation merely because they executed a General Power of Attorney (GPA) in favour of the developer.

The appeals before the Hon'ble Court arose under Section 67 of the Consumer Protection Act, 2019 and challenged orders passed by the National Consumer Disputes Redressal Commission (NCDRC) concerning delay in handing over possession of residential flats. The central controversy revolved around whether landowners, who had entered into a JDA with a developer and executed a GPA authorizing the developer to undertake development activities, could be held jointly and severally liable along with the developer for deficiency in service caused by construction delays.

The factual matrix reveals that the landowners entered into a Joint Development Agreement with the developer on 24.02.2012 and simultaneously executed a General Power of Attorney authorizing the developer to undertake various development activities in relation to the property. The developer subsequently obtained the sanctioned plan and construction license on 21.02.2013 and thereafter began executing Memoranda of Sale Agreements with prospective flat purchasers from 29.07.2013 onwards. Under the sale agreements, the developer undertook to hand over possession of the flats within a period of 36 months. However, the stipulated period for completion expired on 24.08.2016, and even the additional grace period of six months expired on 24.02.2017 without completion of the project. Faced with prolonged delay, the flat purchasers issued a notice on 05.06.2017 seeking redressal and subsequently filed a consumer complaint before the NCDRC on 18.08.2017 alleging deficiency in service and unfair trade practices.

By its order dated 19.10.2023, the NCDRC found the developer guilty of deficiency in service due to a delay of more than six years in delivering possession. The Commission directed the developer to complete construction, obtain the occupancy certificate if not already secured, and hand over possession within three months. Additionally, the developer was directed to pay interest at the rate of 6% per annum on the amounts deposited by the flat purchasers from the due date of possession until the offer of possession. Importantly, at this stage, the Commission did not hold the landowners liable for the delay. Dissatisfied with the extent of relief granted, the purchasers filed a Review Petition seeking to hold the landowners jointly and severally liable along with the developer and to enhance the compensation to ₹5 per square foot per month as stipulated in the agreement. In its initial order passed in chamber, the Commission partly allowed the Review Petition and held the landowners jointly and severally liable for completion of construction and payment of delay compensation. However, this order was challenged before the Hon'ble Supreme Court, which set it aside on the ground that it had been passed without granting the landowners an opportunity of hearing. The matter was remitted to the Commission for fresh consideration after hearing all parties.

¹ 2026 INSC 172



Upon reconsideration, the Commission held that in light of the contractual terms contained in the JDA and the Sale Agreements, the landowners could not be held jointly and severally liable for the delay in construction. Nonetheless, both the landowners and the developer were directed to transfer title and execute the sale deeds in favour of the flat purchasers. This determination prompted the present appeals before the Hon'ble Supreme Court, wherein the purchasers contended that the landowners were liable as principals because they had executed a GPA authorizing the developer to act on their behalf.

The purchasers argued that by executing the GPA, the landowners had created a principal-agent relationship with the developer, thereby making them responsible for the acts and omissions of the developer. Reliance was placed on several clauses of the Sale Agreement to contend that both parties were jointly responsible for the project and therefore jointly liable for deficiency in service.

Conversely, the landowners maintained that under the JDA the entire responsibility for construction and delivery of the flats rested exclusively with the developer. They emphasized that the JDA contained indemnity clauses protecting them from liabilities arising from the developer's acts or omissions. They further argued that they were not signatories to the Sale Agreements entered into between the developer and the purchasers and that the delay in construction was not attributable to any act or omission on their part.

The Hon'ble Supreme Court carefully examined the relevant clauses of the Joint Development Agreement and the General Power of Attorney. Clause 7 of the JDA provided for mutual indemnities between the parties and specifically stipulated that the developer would indemnify the landowners against claims arising from the developer's dealings with prospective purchasers. Additionally, the GPA authorized the developer to enter into agreements of sale, execute conveyances, receive consideration, and undertake registration formalities in respect of the developer's share of the project. Upon a conjoint reading of these provisions, the Court concluded that the developer had exclusive authority and responsibility to undertake construction, enter into sale agreements for its share of the property, receive consideration from purchasers, and deliver possession. The delay in handing over possession pertained to flats falling within the developer's share, and there was no evidence suggesting that the delay had been caused by any act or omission on the part of the landowners.

Significantly, the Court rejected the contention that the mere execution of a GPA created a principal-agent relationship sufficient to impose liability on the landowners for construction delays. The Court observed that the contractual framework clearly allocated the responsibility of construction to the developer and provided indemnity protection to the landowners against liabilities arising from the developer's conduct. In such circumstances, fastening liability on the landowners for deficiency in service would be legally unsustainable. At the same time, the Court clarified that the landowners were jointly responsible along with the developer for ensuring transfer of title to the flat purchasers. Consequently, the direction issued by the Commission requiring both the landowners and the developer to execute sale deeds in favour of the purchasers was upheld as a measure to safeguard the purchasers' interests.

The Hon'ble Court further noted that precedents cited by the purchasers did not support their claim of joint liability. In several earlier decisions, the Court had upheld findings that developers alone were liable for delay compensation in similar circumstances where the contractual arrangements clearly placed the responsibility of construction upon the developer.

In conclusion, the Hon'ble Supreme Court dismissed the appeals and affirmed the Commission's finding that the developer alone was liable for delay compensation arising from the prolonged delay in completion of the project. The Court held that the landowners, who were neither



responsible for construction nor signatories to the sale agreements, could not be held liable for deficiency in service solely because they had executed a Joint Development Agreement and a General Power of Attorney in favour of the developer.

This judgment provides significant clarity in the context of real estate development projects structured through joint development agreements. By carefully examining the contractual allocation of responsibilities between landowners and developers, the Hon'ble Supreme Court reaffirmed that liability for delay must follow the party responsible for construction and delivery of the project. The decision underscores that the existence of a JDA or GPA does not automatically create joint liability unless the contractual terms demonstrate shared obligations. In doing so, the Court strikes a careful balance between protecting homebuyers' interests and respecting the contractual framework governing development projects, thereby reinforcing the principle that liability must align with the actual obligations undertaken by the parties.
