In the High Court of Punjab and Haryana, at Chandigarh

Civil Revision No. 25 of 2016

Date of Decision: 14.03.2016

Malkiat Singh

... Petitioner(s)

Versus

Economic Adviser to State of Punjab and Others

... Respondent(s)

CORAM: Hon'ble Mr. Justice Shekher Dhawan.

1.	Whether reporters of local newspapers may be allowed to see judgment?	**Yes**
2	To be referred to reporters or not?	
3	Whether the judgment should be reported in the Digest?	**Yes**

Present: Mr. A.S.Barnala, Advocate
for the petitioner(s).

Shekher Dhawan, J.

Present petition is challenge to order dated 21.8.2015, whereby learned Civil Judge (Senior Division), Sri Muktsar Sahib, dismissed the execution petition being fully satisfied.

Relevant facts of the case that civil suit, filed by the plaintiff, was dismissed by learned Civil Judge (Senior Division), Sri Muktsar Sahib vide judgment & decree dated 26.4.2011 and appeal, filed by the plaintiff, was accepted vide judgment & decree dated 19.11.2012, wherein directions were issued to make payment of amount due of retiral benefits along with interest at the rate of 9% per annum.

In compliance of that, judgment debtors made payment of ₹ 5,82,178/- as General Provident Fund, ₹ 2,24,340/- as leave encashment, ₹ 3,25,293/- as DCR and ₹ 11,38,619/- as pension to the decree holder. Even the payment of interest of ₹ 4,22,133/- was also made to the decree holder. However, the decree holder insisted that interest amount was ₹ 5,06,740/- and he was entitled to compound interest. The Court below turned down the said contention on the ground that as per decree, plaintiff was not entitled to compound interest. Rather he was entitled to receive the payment along with interest at the rate of 9% per annum and that payment has already been received by him and as such execution stood fully satisfied. Being aggrieved of the same, present petition has been filed that petitioner was entitled to receive the compound interest.

Learned counsel for the petitioner submitted that the petitioner was entitled to receive compound interest as the payment was delayed to him. In support of his arguments, learned counsel for the petitioner has placed reliance upon the judgments rendered by the Coordinate Benches of this Court in ***Amar Singh v. State of Punjab and Another 1990(2) RSJ 702***, ***D.K.Tyagi, Principal, S.D.Public School, Jagadhari, District Yamuna Nagar v. Board of Governors, Sainik School Society & Another 2014(2) SCT 517*** and ***J.S.Cheema v. State of Haryana and Others 2014(13) RCR (Civil) 355***.

Having considered the submissions made by learned counsel for the petitioner and having gone through the record of the case, this Court is of the considered view that there is nothing on the file that as per judgment & decree, present petitioner was entitled to receive compound interest. The relevant part of decree dated 19.11.2012, passed by learned District Judge, Sri Muktsar Sahib reads as under:-

> *"The suit of the plaintiff for declaration to the effect that he is entitled to the retiral benefits along with interest at the rate of 9% per annum and for mandatory injunction for issuance of direction to the defendants to release the aforesaid retiral benefits with interest at the rate of 9% per annum from the date of retirement till actual payment is decreed with costs."*

As per above decree, plaintiff was entitled to receive retiral benefits along with interest at the rate of 9% per annum and there was no such direction of the Court that he was entitled to seek payment along with compound interest.

On these facts, the present case is distinguishable from the facts of the above referred cases and the view taken by the Coordinate Benches of this Court in ***Amar Singh's case*** *(supra),* ***D.K.Tyagi's case*** *(supra)* and ***J.S.Cheema's case*** *(supra)* as by now there is no direction or decree having been passed by any Court for payment of compound interest. The amount, whatsoever was due towards the present petitioner, has already been received by him and the Court below has rightly dismissed the execution being fully satisfied.

The Hon'ble Apex Court in case ***State of Haryana and Others v. S.L.Arora & Company (2010)2 Supreme Court Reports 297***, has taken the following view:

> *"8. Payment of interest arises in different circumstances. It can be the consideration paid by a borrower to a lender for use of the money lent or made available by the lender. It can be the return given by a bank, financial institution or a company on amounts deposited or invested with them by a customer or constituent. It can be the compensation paid by a person who withholds or defaults in paying an amount or in discharging a liability, when it is due and payable. Interest may be payable in pursuance of a contract, or a provision in a statute, or the fiat of a court of tribunal. It is usually quantified in terms of a percentage of the 'principal' or the 'investment' or the 'amount of liability'. Interest unless otherwise specified, refers to simple interest, that is interest paid on only the principal and not on any accrued interest.*
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> *9. Compound interest refers to a method of charging interest where interest is computed not only on the principal, but also the accrued interest. For this purpose, periodical rests are provided for computation of interest, say yearly, or quarterly or*

monthly. At the end of the first 'rest', the interest accrued till then is added to the principal, so that for the second interest bearing period, the aggregate of the original principal and interest thereon becomes the enhanced principal. At the end of the second rest, the accrued interest on the enhanced principal is added to the enhanced principal so that such further enhanced principal becomes the principal for charging the interest for the third period. It goes on in this manner until repayment, by progressively enlarging the principal base by adding interest at regular intervals. As a result, the debtor is made to pay interest not only on the original principal, but on the interest on the principal, and on the interest upon the interest on the principal and so on. A variant of compound interest, involves limited compounding, where interest is not added to the principal with periodical rests, but only once or twice at agreed stages. For example, where a loan is repayable within one year, if a provision is made in the contract that in the event of the loan not being repaid within one year, the interest which had accrued during the one year period will be added to the principal, and as a consequence, after one year, interest will be payable on the aggregate of the *principal and the interest for one year, it is a provision for interest upon interest. Compound interest can be awarded only if there is a specific contract, or authority under a Statute, for compounding of interest. There is no general discretion in courts or tribunals to award compound interest or interest upon interest.*

10. Section 3 of the Interest Act, 1978 enables the courts and arbitral tribunals to award interest from the date of cause of action to the date of institution of legal proceedings or initiation of arbitration proceedings. Sub-section (3)(c) of section 3 of the Interest Act, 1978 makes it clear that nothing in the said section shall empower the Court or arbitrator to award interest upon interest. It should be noted that section 3 of Interest Act does not deal with either pendente lite or future interest."

In view of above, present petition is without any merit and the same stands dismissed.

(Shekher Dhawan)
Judge

March 14, 2016
"DK"