**IN THE HIGH COURT OF PUNJAB AND HARYANA
AT CHANDIGARH**

**RSA-1580-2022 (O&M)
Date of Decision :11.05.2023**

**State of Punjab and others ....Appellants**

**Versus**

**Baldev Singh ...Respondent**

**CORAM: HON'BLE MR. JUSTICE HARSIMRAN SINGH SETHI**

Present: Mr. Gurpreet Singh, Addl. A.G. Punjab
for appellant--State.

Mr. Karamveer Singh Banyana, Advocate for respondent.

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***Harsimran Singh Sethi, J. (Oral)***

1. In the present regular second appeal, the challenge is to the order passed by the Courts below by which, suit filed by the respondent-plaintiff claiming release of the pensionary benefits has been allowed and a direction has been given to release the retiral benefits along with interest @ 9% per annum from the date of accrual of the benefits till the actual date of payment.

2. Learned counsel for the appellant-State submits that grant of interest @ 9% per annum is on the higher side keeping in view Section 34 of the CPC as well as the fact that no bank is granting interest @ 9 % per annum, which benefit has been granted by the Courts below therefore, the grant of interest @ 9 % per annum is exorbitant and is liable to be modified.

3. Learned counsel for the appellant-State further submits that it may be clarified that grant of interest on commuted value of pension is against the settled principle of law settled by a Coordinate Bench of this Court in ***CWP-6990-2017*** titled as ***Dr. Inderjit Singh Hundal vs. State of Punjab and others*** decided on 03.04.2017.

4. Learned counsel for the respondent on the other hand submits that keeping in view the fact that interest has been granted by the Courts below as per the facts and circumstances of the present case, the judgments and decrees of the Courts below are liable to be upheld.

5. I have heard learned counsel for the parties and have gone through the record with their able assistance.

6. It is a settled principle of law that even while granting interest in favour of the litigant, valid reasons are to be given as to why a particular rate of interest is being extended. Section 34 of the CPC is very clear as to how the interest is to be computed and what is the maximum rate of interest which can be awarded by the Court while passing the order. Section 34 of the CPC is reproduced for ready reference:-

> "When a court passes a decree, the court may grant interest on the amount to which the decree-holder is found to be entitled, and Section 34 provides for relevant provisions relating to the granting of such interest. The Section clarifies the sum on which the interest is granted, which is termed the "principal sum adjudged." It includes the principal sum of money to which the decree-holder is entitled, along with the interest charged on such a sum for the period preceding the institution of the suit. As a result, in general, it is the entire amount claimed by the litigant in court to which he becomes entitled prior to the filing of the suit.
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> Further, Subsection (1) of Section 34 can be divided into two parts as it provides for interest being granted on two kinds of periods which are as follows:-

1. From the date of suit to the date of the decree: The interest on the principal sum adjudged is from the date of suit to the date of the decree. The interest rate should be at the discretion of the court and there is no upper limit to such kind of interest.
2. From the date of the decree to the date of payment of money to the decree-holder: Herein, the court can grant interest on the principal sum adjudged at its discretion. However, an upper limit on such interest rate has been cast by the Section which is six percent per annum; such kind of interest has been referred to as "further interest". Proviso to this subsection provides that in case of commercial transactions the further interest can exceed the rate of six percent per annum and the upper limit in such cases will be the contractual rate of interest. The proviso further explains, that where there is no contractual rate of interest provided the upper limit will be the rate at which money is lent or advanced by the nationalised banks in relation to the commercial transaction."

7. Keeping in view the above, rate of interest granted in favour of the respondent-plaintiff by the Courts below @ 9% per annum is excessive and without any valid justification. Further, nothing has come on record that the bank rate at the relevant time was @ 9% per annum so as to grant the said rate of interest so as to compensate the respondent-plaintiff. In the absence of any such fact brought to the notice of this Court, order passed by the Courts below granting interest @ 9% per annum is modified to the extent that respondent-plaintiff will be entitled for interest @ 6% per annum from the date it accrued till the actual payment.

8. It may be clarified that as far as the commutation of pension is concerned, no interest will be admissible keeping in view the judgment of Coordinate Bench of this Court in ***Dr. Inderjit Singh Hundal's case (supra).***

9. Present regular second appeal is allowed in above terms.

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10. Application is also disposed of as such.

**May 11, 2023** **(HARSIMRAN SINGH SETHI)**
*aarti* **JUDGE**

*Whether speaking/reasoned : Yes/No*
*Whether reportable : Yes/No*