



Delhi Development Authority v. Bhai Sardar Singh And Sons, (SC) : Law Finder Doc Id # 2086418

2020 SCC Online SC 1450

SUPREME COURT OF INDIA

Before:-[N.V. Ramana](#), [Mohan M. Shantanagoudar](#) and [Sanjiv Khanna](#), JJ.

Civil Appeal No. 3867 of 2010. D/d. 13.02.2020.

Delhi Development Authority - Appellant

Versus

Bhai Sardar Singh And Sons - Respondent

For Appellant(s): Mr. Vishnu B. Saharya, Advocate Mr. Viresh B. Saharya, Advocate For M/s. Saharya and Co., Advocate

For Respondent(s) Ms. Kaveeta Wadia, Advocate and Mr. Rohit Prasad, Advocate

IMPORTANT

The judgment clarifies the rules of appropriation under Order XXI Rule 1 of the Code of Civil Procedure, 1908, for payments made under a decree. It holds that interest ceases to run on the amount deposited in the court to the extent of the deposit, even if there is a shortfall in the total decretal amount.

A. Arbitration Act, 1940, Sections 30/33 - Civil Procedure Code, 1908, Order XXI Rule 1 - Dispute between Delhi Development Authority (DDA) and contractor over arbitral award - Deposit of decretal amount in court - Held, interest ceases to accrue on amount deposited to the extent of such deposit, even if withdrawal by decree holder is delayed - Legal principles governing appropriation of payments clarified.

[Paras [12](#), [14](#), [15](#), [17](#), [18](#)]

B. Civil Procedure Code, 1908, Order XXI Rule 1 - Modes of payment under decrees - Judgment debtor must notify decree holder about deposit of money - Interest ceases to accrue from the date of notice or payment - However, deposit without facilitating withdrawal by decree holder may not constitute payment under the rule.

[Paras [12](#), [18](#), [19](#)]

C. Arbitration Act, 1940, Sections 30/33 - Interest awarded on arbitral amount - Reduction of interest rate from 18% to 12% per annum in specific factual circumstances - Court balances equities between the parties by allowing reduced interest for a specific period.

[Paras [20](#)]

Cases Referred :-



[A. Tosh and Sons India Ltd. v. N.N. Khanna 2006 \(89\) DRJ 248](#)

[Bharat Heavy Electricals Limited v. R.S. Avtar Singh and Company \(2013\) 1 SCC 243](#)

[Gurpreet Singh v. Union of India \(2006\) 8 SCC 457](#)

[Hindustan Construction Corporation v. DDA 2002 \(65\) DRJ 43](#)

[Industrial Credit and Development Syndicate \(now called I.C.D.S. Ltd.\) v. Smithaben H. Patel \(Smt.\) \(1999\) 3 SCC 80](#)

[Mathunni Mathai v. Hindustan Organic Chemicals Ltd. \(1995\) 4 SCC 26](#)

[P.S.L. Ramanathan Chettiar v. O.R.M.P.R.M. Ramanathan Chettiar AIR 1968 SC 1047](#)

[Prem Nath Kapur v. National Fertilizers Corporation of India \(1996\) 2 SCC 71](#)

[Read impugned order dated 16.03.2009.](#)

ORDER

Bhai Sardar Singh and Sons, the respondent before us, was awarded a contract for construction of 1068 houses at Motia Khan by the Delhi Development Authority ('DDA' for short), the appellant before us. During its execution, disputes arose with the respondent invoking the arbitration clause way back in 1982. After about sixteen years, award dated 12th August 1998 was published requiring the appellant to pay to the respondent a sum of Rs.18,89,998/- along with interest at 18% per annum on Rs.14,40,386/-, being the principal sum, with effect from 13th March 1986, till the date of payment.

2. The appellant challenged the award by filing objections under Section 30/33 of the Arbitration Act, 1940 in CS (OS) No. 2560 of 1998, which were dismissed vide judgment dated 2nd August 2001 by the single judge of the High Court of Delhi upholding the objection raised by the respondent that the Arbitration and Conciliation Act, 1996 was applicable. This order was challenged by the appellant before the Division Bench by filing FAO (OS) No. 93 of 2002 with success and vide order dated 20th April 2004 the matter was remanded to the single judge to decide the objections under Section 30/33 of the Arbitration Act, 1940. During the pendency of this appeal, the Division Bench had directed the appellant to deposit the entire awarded amount along with interest due and payable in terms of the award. Accordingly, the appellant had deposited Rs.58,80,380/-, as was recorded in the order dated 20th May 2002, which deposit, as per the appellant, included the interest up to the date of the decree, that is, 2nd August 2001.

3. Arguments on the objections were heard by the learned single judge on 8th December 2004. By judgment dated 15th July 2005 the objections to the award under Section 30/33 of the Arbitration Act, 1940 were dismissed primarily on the ground that the court was not empowered or inclined to interfere with the findings of fact which had been recorded by the arbitrator, who was a retired Chief Engineer of the Central Public Works Department (CPWD). However, on the question of interest, the learned single judge referred to the award of interest at 18% per annum, which it was pleaded was very high and unreasonable, to record that the counsel for the respondent was 'prepared to confine his interest claim to a figure found reasonable by this court, provided the objection was not argued on merits by the appellant'. It was further recorded that the appellant was unable to agree to the suggestion. Noticing respective contentions, the learned single judge thereupon had held as under:



"11. In so far as the award of interest @ 18% on the awarded amount of Rs. 14,40,386/- with effect from 13th March, 1986 to the date of decree or payment whichever is earlier is concerned, considering the fact that a considerable period has elapsed between the award delivered on 12th August, 1998 and the high amount of interest which may be available to the petitioner/claimant subject to the dismissal of objections to the award, the interest awarded by the arbitrator at 18% per annum deserves to be reduced. I have also noticed the present drop in the market rate of interest. The learned counsel for the petitioner has filed a statement of interest payable on the amount awarded by the arbitrator, the calculations of which have not been disputed by the respondent/DDA. A perusal of the said table shows that the interest at the rate of 18% per annum would be unreasonable. I am of the view that the interest should be awarded at 9% per annum with effect from 13th March, 1986 to the date of decree or payment, whichever is earlier. The reduced amount of interest would be available to the DDA if the payment as per the award and the modified rates of interest is made within six weeks from the date of this judgment failing which the interest shall revert back to the rate of 18% per annum as awarded by the arbitrator.

4. As the objections were dismissed, the High Court directed that the award was made the rule of the court. While doing so, the court had further directed drawing up decree sheet in the following terms:

"The award dated 12th August, 1998 is made a rule of the Court. The petitioner/claimant shall also be entitled to interest at 9% of 18% as ordered by the award as indicated hereinabove. Decree sheet be drawn up accordingly."

5. A reading of the aforesaid paragraphs in the judgment would show the contradictions. The learned single judge had noticed that there was a drop in the market rate of interest to observe that interest at 18% per annum would be unreasonable. Therefore, the learned single judge was of the view that interest should be awarded at 9% per annum with effect from 13th March 1986 till the date of decree or payment, whichever is earlier. However, it was observed that this reduced rate of interest would be applicable if payment as per the award and modified rate of interest was made within six weeks from the date of judgment, failing which the interest would be at 18% per annum, as awarded by the arbitrator. The contradiction is apparent as the learned single judge failed to notice that the appellant had already deposited Rs. 58,80,386/-, as recorded in the order dated 20th May 2002. Apparently, neither the appellant nor the respondent had also brought this fact to the notice of the Court. It may be relevant to state that the appellant had not withdrawn this deposit which was made pursuant to the interim order passed by the Division Bench in FAO (OS) No. 93 of 2002, even after this appeal was allowed. Another contradiction is regarding the direction of payment of interest at 9% per annum with effect from 13th March 1986 to the date of decree or payment, whichever is earlier. Payment in the form of deposit of Rs. 58,80,380/- had already been made, as noted above. The date of decree would be obviously the date on which the judgment was passed by the learned single judge making the award a rule of the Court, that is, 15th July 2005. We have also quoted the penultimate paragraph making the award dated 12th August 1998 a rule of the Court which states that the respondent would be entitled to interest at '9% of 18%' as ordered by the award indicated above. Neither party asked for correction of this judgment.

6. It transpires that the respondent, on or about 28th September 2005, filed an execution petition EP No. 168 of 2015 ('first execution petition' for short) for a sum of Rs.18,89,998/- and interest at 18% per annum on Rs.14,40,386/- with effect from 13th March 1986. The total amount payable as per the first



execution petition on the date of filing was Rs.69,52,951/-. The execution petition did not mention that the appellants had deposited Rs.58,80,380/- and the amount be released and paid.

7. During the pendency of the execution petition, on 14th December 2005, statement was made by the counsel appearing for the appellant that the money was already lying deposited in the court and the appellant had no objection if the respondent moves for withdrawal of the said amount. This order records that the counsel for the respondent had stated that the amount, if any, deposited by the appellant was short of the money awarded under the "terms of the contract". The execution petition was disposed of recording that the respondent would withdraw the amount first after seeking orders of the court of competent jurisdiction. In the event of money being short, liberty was granted to the respondent to file execution petition for the remaining amount.

8. Thereafter, it appears the respondent had filed an application for withdrawal of the amount lying deposited with the Registrar General of the High Court, which application was allowed vide order dated 27th April 2006. The order also records that the appellant had no objection for payment of the deposited amount. We are not aware of the actual amount that was paid to the respondent, as it would have also included the interest accrued on Rs.58,80,380/-.

9. Thereupon, the appellant had filed an application, EA No 81 of 2006, in the first execution petition stating that they had deposited Rs. 58,80,380/- with the Registry of the High Court vide cheque No. 278620 dated 11th April 2002. Further the judgment dated 15th July 2005 had reduced the rate of interest from 18% to 9% per annum. Consequently, Rs. 19,95,291/- was refundable from the deposit of Rs. 58,80,380/-. This application was dismissed by learned single judge vide order dated 20th March 2007 by referring to the provisions of Rule 1 of Order XXI of the Code of Civil Procedure, 1908 (for short, the 'Code') to observe that the respondent, as a decree holder, had received the amount after expiry of six weeks and, therefore, is entitled to interest @ 18% per annum. The learned single judge placed reliance on two judgments of the High Court in **Hindustan Construction Corporation v. DDA and Others 2002 (65) DRJ 43** and **A. Tosh and Sons India Ltd. v. N.N. Khanna 2006 (89) DRJ 248**. The first judgment in turn relies upon judgment of this Court in **P.S.L. Ramanathan Chettiar and Others v. O.R.M.P.R.M. Ramanathan Chettiar AIR 1968 SC 1047**.

10. Aggrieved, the appellant preferred an appeal EFA(OS) 9/2007, which has been dismissed by the impugned judgment dated 16th March 2009 primarily on the ground that the appellant had not agreed to the withdrawal of the deposited amount during pendency of FAO (OS) No. 93 of 2002 challenging the order of the single Judge dated 2nd August 2001. It was also noticed that after filing of the execution application on 15th July 2005, the appellant had entered appearance on 11th November 2005 and taken time for instructions, for which the matter was adjourned to 28th November 2005. On 28th November 2005, the matter was adjourned to 14th December 2005 when, as recorded above, the appellant had stated that the amount deposited should be paid. The impugned judgment refers to the decisions of this Court in **Gurpreet Singh v. Union of India (2006) 8 SCC 457** (Constitution Bench), **P.S.L. Ramanathan Chettiar (supra)** and **Mathunni Mathai v. Hindustan Organic Chemicals Ltd. and others (1995) 4 SCC 26** to hold that there was no question of the amount deposited by the appellant in the Court being available for appropriation to the respondent after judgment dated 15th July 2005 as the amount deposited was not available to the decree holder for appropriation automatically. The appellant had not communicated its consent for withdrawal of this amount within six weeks from the date of passing of the decree dated 15th July 2005. It was for the appellant to come forward and tender the decretal amount or at least facilitate withdrawal of the amount deposited by them within the time granted vide judgment dated 15th July 2005. It was also observed that the respondent, on its own, could not have approached for



withdrawal of the decretal amount.

11. In the meanwhile, the respondent on or about 18th April 2007 filed the second execution petition claiming that there had been short payment as they were entitled to interest at 18% per annum with effect from 13th March 1986 as the appellant had failed to pay the awarded amount with interest at 9% within six weeks of the judgment dated 15th July 2005. This executive application was initially directed to remain pending till the appeal EFA(OS) 9/2007 was disposed of. As noticed above, EFA(OS) 9/2007 was dismissed by the impugned judgment.

12. Order XXI of the Code relating to execution of decrees stipulates various modes for recovery of money under Rule 1, which reads as following:

"1. Modes of paying money under decree.-(1) All money, payable under a decree shall be paid as follows, namely:

(a) by deposit into the Court whose duty it is to execute the decree, or sent to that Court by postal money order or through a bank; or

(b) out of Court, to the decree-holder by postal money order or through a bank or by any other mode wherein payment is evidenced in writing; or

(c) otherwise, as the Court which made the decree, directs.

(2) Where any payment is made under clause (a) or clause (c) of sub-rule (1), the judgment-debtor shall give notice thereof to the decree-holder either through the Court or directly to him by registered post, acknowledgement due.

(3) Where money is paid by postal money order or through a bank under clause (a) or clause (b) of sub-rule (1), the money order or payment through bank, as the case may be, shall accurately state the following particulars, namely:-

(a) the number of the original suit;

(b) the names of the parties or where there are more than two plaintiffs or more than two defendants, as the case may be, the names of the first two plaintiffs and the first two defendants;

(c) how the money remitted is to be adjusted, that is to say, whether it is towards the principal, interest or costs;

(d) the number of the execution case of the Court, where such case is pending; and

(e) the name and address of the payer.

(4) On any amount paid under clause (a) or clause (c) of sub-rule (1), interest, if any, shall cease to run from the date of service of the notice referred to in sub-rule (2).

(5) On any amount paid under clause (b) of sub-rule (1), interest, if any, shall cease to run from the date of such payment:

Provided that, where the decree-holder refuses to accept the postal money order or payment through a bank, interest shall cease to run from the date on which the money was tendered to him, or where he avoids acceptance of the postal money order or payment through bank,



interest shall cease to run from the date on which the money would have been tendered to him in the ordinary course of business of the postal authorities or the bank, as the case may be."

13. Sub-rule 1 to Rule 1 of Order XXI of the Code prescribes three modes for paying money under a decree, namely: (a) by deposit of money in the court which is to execute the decree, which deposit can be through postal money order or through bank; (b) by making payment to the decree holder by postal money order or through bank or any other mode wherein payment is evidenced in writing; or (c) as the court which made the decree directs. Sub-rule 3 prescribes the details which have to be furnished by the judgment debtor where money is paid by postal money order or through bank under clauses (a) or (b). Sub-rule 3 also permits the judgment-debtor to stipulate apportionment or adjustment where amount is payable to more than one person or towards the principal sum or interest or cost. Sub-rule 2, which applies to payment made under clauses (a) or (c) sub-rule 1, requires the judgment debtor to give notice to the decree holder either through the court or directly to the decree holder by registered post, acknowledgement due. Sub-rule 4 states that where an amount is paid under clause (a) or (c) of sub-rule 1, interest, if any, shall cease to run from the date of service of notice referred to in sub-rule 2. As per sub-rule 5, where amount is paid under clause (b) of sub-rule 1, interest, if any, ceases to run from the date of such payment.

We need not refer to the proviso as it is not applicable to the facts of the present case.

14. A reading of the aforesaid sub-rules clarifies that when money is paid under a decree, the interest, if any, shall cease to run either from the date of direct payment or from the date of service of notice to the decree holder, wherever applicable. Sub-rules 4 and 5 do not stipulate that the interest would stop running only and only when the entire amount as per the decree shall stand paid. This Court, as will be seen below, has held that money even when paid in part towards the decree would cease to accrue interest to the extent of the amount paid.

15. The Constitution Bench of this Court in Gurpreet Singh (supra) had examined the 'stage-wise' appropriation rule as expounded in ***Prem Nath Kapur and Another v. National Fertilizers Corporation of India and Others (1996) 2 SCC 71*** and had, after referring to the provisions of Order XXI Rule 1 and Order XXIV of the Code, observed that the former applies to post-decretal stage and the latter applies to pre-decretal stage. In the context of Rule 1 of Order XXI it was observed as under:

"15. Order 21, Rule 1 provides the modes of paying money under a decree. It stipulates that all monies payable under a decree shall be paid: (a) by deposit into the court whose duty it is to execute the decree, or (b) out of court, to the decree-holder in the manner provided, or (c) otherwise, as the court which made the decree directs. Sub-rule (2) provides that where a payment is made by deposit into the court or as directed in the decree, the judgment-debtor shall give notice thereof to the decree-holder either through the court or directly to him by registered post acknowledgement due. On any amount paid by way of deposit into the court or as directed under the decree, interest, if any, shall cease to run from the date of the service of the notice referred to in sub-rule (2). Thus, Order 21, Rule 1 after its amendment in the year 1976 also contemplates the deposit of the decree amount into court and the giving of notice thereof to the decree-holder and provides further for cessation of interest from the date of notice to the decree-holder of such deposit."

Referring to the provisions of sections 59 to 61 of the Indian Contract Act, 1872, it was held that the said provisions get attracted only when more than one debt is due from the debtor to the creditor



and not where only one debt is due. Further, Sections 59 to 61 do not have direct application in a case where the debt due has merged with the decree and the applicable rule then would be what is provided in the decree itself or the general rule applicable in execution of decrees. Reference was made to ***Industrial Credit and Development Syndicate (now called I.C.D.S. Ltd.) v. Smithaben H. Patel (Smt.) and Others (1999) 3 SCC 80*** wherein this Court had held that sections 59 and 60 of the Indian Contract Act would be applicable only at pre-decretal stage and not thereafter, since post-decretal payments are to be made either in terms of the decree or in terms of the agreement arrived at between the parties, though on general principles as mentioned in Sections 59 and 60. Accordingly, the general rule of appropriation towards decretal amount is that the amount has to be adjusted strictly in accordance with the directions contained in the decree and in the absence of directions, adjustment must be first made in payment of interest and costs and thereafter in payment of principal amount. Reference was also made to the amendment made to Order XXI Rule 1 in 1996 by enacting sub- Rules (4) and (5) to observe as under:

"25. In the Objects and Reasons for amendment of Order 21, Rule 1, it was set out as follows:

"The Committee notes that there is no provision in the Code in relation to cessation of interest on the money paid under a decree, out of court, to a decree-holder, by postal money order or through a bank or by any other mode wherein payment is evidenced in writing. The Committee is of the view that, in such a case, the interest should cease to run from the date of such payment. In case the decree-holder refuses to accept the postal money order or payment through a bank, interest should cease to run from the date on which the money was tendered to him in ordinary course of business of the postal authorities or the bank. Sub-rule (5) in Rule 1 Order 21 has been inserted accordingly."

The legislative intent in enacting sub-rules (4) and (5) is therefore clear and it is that interest should cease on the deposit being made and notice given or on the amount being tendered outside the court in the manner provided. Mulla in his Commentary on the Code of Civil Procedure, 15th Edn., Vol. II at p. 1583 has set out the effect of the rules as follows:

"Normal rule with respect to money decree is (i) the appropriation of payments towards satisfaction of interest in the first instance, and (ii) then towards principal amount. But this became inoperative, after the amendment of Rule 1 Order 21 CPC. section 60 of the Contract Act cannot be invoked for the application of the aforesaid normal rule."

26. Thus, in cases of execution of money decrees or award-decrees, or rather, decrees other than mortgage decrees, interest ceases to run on the amount deposited, to the extent of the deposit. It is true that if the amount falls short, the decree-holder may be entitled to apply the rule of appropriation by appropriating the amount first towards the interest, then towards the costs and then towards the principal amount due under the decree. But the fact remains that to the extent of the deposit, no further interest is payable thereon to the decree-holder and there is no question of the decree-holder claiming a re-appropriation when it is found that more amounts are due to him and the same is also deposited by the judgment-debtor. In other words, the scheme does not contemplate a reopening of the satisfaction to the extent it has occurred by the deposit. No further interest would run on the sum appropriated towards the principal."

16. This Court in ***Bharat Heavy Electricals Limited v. R.S. Avtar Singh and Company (2013) 1 SCC 243*** had again examined the aspect of apportionment in the factual background of that case and with reference to Section 33 of the Code and section 3(3)(c) of the Interest Act, 1978 on which



reliance was placed by the appellant. Crystallising the legal position and ratio in terms of Gurpreet Singh (supra), it was held:-

"31. From what has been stated in the said decision, the following principles emerge:

31.1. The general rule of appropriation towards a decretal amount was that such an amount was to be adjusted strictly in accordance with the directions contained in the decree and in the absence of such directions adjustments be made firstly towards payment of interest and costs and thereafter towards payment of the principal amount subject, of course, to any agreement between the parties.

31.2. The legislative intent in enacting sub-rules (4) and (5) is a clear pointer that interest should cease to run on the deposit made by the judgment-debtor and notice given or on the amount being tendered outside the court in the manner provided in Order 21, Rule 1 (1)(b).

31.3. If the payment made by the judgment-debtor falls short of the decreed amount, the decree-holder will be entitled to apply the general rule of appropriation by appropriating the amount deposited towards the interest, then towards costs and finally towards the principal amount due under the decree.

31.4. Thereafter, no further interest would run on the sum appropriated towards the principal. In other words if a part of the principal amount has been paid along with interest due thereon as on the date of issuance of notice of deposit interest on that part of the principal sum will cease to run thereafter.

31.5. In cases where there is a shortfall in deposit of the principal amount, the decree-holder would be entitled to adjust interest and costs first and the balance towards the principal and beyond that the decree-holder cannot seek to reopen the entire transaction and proceed to recalculate the interest on the whole of the principal amount and seek for re-appropriation."

Referring to the provisions of Section 34 of the Code and section 3(3)(c) of the Interest Act, it was observed:

"36. As far as the contention based on section 34 CPC having regard to the general rule of appropriation in cases of this nature where there is a short payment made pursuant to the decree, we do not find any conflict with the said provision insofar as it related to payment of interest to be payable by the appellant. As far as the submission made, based on section 3(3)(c) of the Interest Act, 1978 is concerned, the said provision only states de hors the substantive part of said Section 3, the courts are not empowered to award interest upon interest. We do not find any scope to apply the said section to the case on hand where the controversy is subsequent to the decree where direction for payment of interest on the award amount has been spelt out. The issue related to the correctness of the interest calculated as per the decree of the Court which made the award its rule. The challenge is not to the decree on the footing that it was in violation of section 3(3)(c) of the Interest Act. We, therefore, do not find any support in the submission based upon the said section 3(3)(c) of the Interest Act..."

17. When we turn to the facts of the present case, we have no doubt in our mind that the payment of Rs.58,80,380/- made by the appellant, as recorded in the order dated 20th May 2002, cannot be treated as payment in terms of Rule 1 of Order XXI of the Code as this amount was deposited in the Court, but the respondent was not permitted and allowed to withdraw in spite of their application. To this extent, the High Court is right in relying upon the decision of this Court in P.S.L.



Ramanathan Chettiar (supra) wherein it has been held as under:

"12. On principle, it appears to us that the facts of a judgment-debtor's depositing a sum in court to purchase peace by way of stay of execution of the decree on terms that the decree-holder can draw it out on furnishing security, does not pass title to the money to the decree-holder. He can if he likes take the money out in terms of the order; but so long as he does not do it, there is nothing to prevent the judgment debtor from taking it out by furnishing other security, say, of immovable property, if the court allows him to do so and on his losing the appeal putting the decretal amount in court in terms of Order 21, Rule 1 CPC in satisfaction of the decree.

13. The real effect of deposit of money in court as was done in this case is to put the money beyond the reach of the parties pending the disposal of the appeal. The decree-holder could only take it out on furnishing security which means that the payment was not in satisfaction of the decree and the security could be proceeded against by the judgment-debtor in case of his success in the appeal. Pending The determination of the same, it was beyond the reach of the judgment-debtor."

18. However, there is another aspect or question that arises in this case. The question relates to the effect of payment or deposit of Rs.58,80,380/-, as recorded in the order dated 20th May 2002, post the decision and judgment dated 15th July 2005 and whether the said deposit can be treated as payment made towards the decree in terms of the relaxation or reduction in the rate of interest granted by the single Judge in case payment was made within a period of six weeks. On this aspect, we do not agree with the reasoning of the Division Bench of the High Court that the respondent was not served with the notice of deposit of the amount by relying upon the decision of this Court in Mathunni Mathai (supra). The decision in the case of Mathunni Mathai (supra) was under the Land Acquisition Act, 1894 and in Prem Nath Kapur (supra) it was held to have not laid down the correct law as sections 34 and 38 of the Land Acquisition Act, 1894 were differently worded. The Constitution Bench in Gurpreet Singh (supra), while affirming the ratio in Prem Nath Kapur (supra) on the question of appropriation, had held that in Mathunni Mathai (supra) this Court had not considered the question whether there was any deviation from the normal rule of appropriation by virtue of provisions of the Land Acquisition Act, 1894. Further, and importantly for the present case, it was observed and held in Gurpreet Singh (supra) that in Mathunni Mathai (supra) this Court had observed in paragraph 4 at page 31 as under:

"It is not necessary for purposes of this case to decide whether the creditor was bound to appropriate the amount towards principal once it was deposited in court and intimation of the deposit was served on the decree-holder as it does not appear that the respondent ever served any notice on the appellant about the deposit."

19. In the context of the present case, it is obvious that the respondent was aware of the deposit of Rs.58,80,380/- made by the appellant as the respondent had filed an application for withdrawal of the amount during the pendency of FAO (OS) No. 93 of 2002. The respondent cannot plead that it is neither aware of the deposit nor served with any notice of the deposit of the amount. The learned single judge in the judgment dated 15th July 2005 had obviously lost notice of the fact that Rs.58,80,380/- has already been deposited in the Court. The respondent, it is obvious, did not bring the deposit to the notice of the Court in order to gain advantage and benefit of higher rate of interest by pleading that the appellant was not entitled to lower rate of interest. The amount deposited by the appellant in terms of the interim order passed in FAO (OS) No. 93 of 2002 was obviously made with the intent that the amount would be released and paid to the respondent, on



they being held as entitled to payment under the award. The direction to make payment was only with this intent in mind, that is, to secure payment to the respondent in case and if the appellant was held liable to make payment. The direction in this impugned order would, to this extent, be contrary to the object and scheme of Rule 1 of Order XXI as expounded and held by this Court in Gurpreet Singh (supra) and Bharat Heavy Electricals Limited (supra). At the same time, as noticed above, the appellant did not take immediate steps within six weeks by writing a communication informing the respondent to withdraw the amount.

20. Keeping in view the aforesaid peculiar factual position, we partly allow the appeal and modify the order passed by the Division Bench of the High Court with a direction that the respondent would be entitled to interest at 12% per annum from 13th March 1986 till the order dated 14th December 2005. The respondent would be entitled to make appropriation in accord with and in terms of the ratio in Gurpreet Singh (supra) and Bharat Heavy Electricals Limited (supra). In case, of any shortfall, the appellant would make balance payment within a period of eight weeks from the date of receipt of a copy of this order. In case excess payment has been made to the respondent, it would refund the same within a period of eight weeks from the date of receipt of a copy of this order. In the event of failure to make payment or refund, either side would be liable to pay interest on the amount to be paid/refunded at 12% per annum after the said lapse of eight weeks till the date of actual payment.

In the facts of the case, there would be no order as to costs.

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