

RESEARCH QUESTION

"What remedies does a tenant in India have when the landlord refuses to return the security deposit after the tenant vacates, and what have courts held about unjustified deductions from deposits?"

Remedies and Judicial Precedents on Non-Refund and Deductions of Security Deposits in India

TL;DR

Under Indian law, a tenant's primary remedy for a landlord's refusal to refund a security deposit is a civil suit for recovery with interest under Section 34 of the Code of Civil Procedure, but the tenant cannot withhold vacant possession of the premises as leverage unless the lease agreement explicitly permits rent-free holdover. The Delhi High Court in *H.S. Bedi v. National Highway Authority of India* (2016) established that while landlords cannot arbitrarily withhold deposits, a tenant who retains possession to force a refund remains liable for rent up to the date of handing over the keys. Unjustified or unilateral deductions for property damage are routinely struck down by courts unless the landlord provides concrete proof of the tenant's negligence and actual expenditures incurred.

VERIFIED CASES	STATUTES	LATEST RULING
11	5	2025
11 High Courts		Madras High Court

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I. Detailed Analysis

KEY PRINCIPLES ESTABLISHED

01 Rent-Free Holdover Rights Under Explicit Lease Terms

If the lease deed explicitly provides that the tenant is entitled to remain in possession rent-free until the security deposit is refunded, such retention is legally protected and does not constitute unauthorized occupation or trespass (*M S Cosmos Infrabuild Private Limited v. M S Kalyan Jewellers India Limited* (2024)).

02 Substantiation of Property Damage and Repair Deductions

Landlords cannot unilaterally adjust or withhold security deposits for alleged property damage or renovation costs without providing clear, concrete evidence of the expenditures and proving the tenant's negligence (*Deepa Ramaprasad v. Daimler India Commercial Vehicles Pvt. Ltd.* (2025)).

03 Award of Interest to Prevent Unjust Enrichment

Even in the absence of an express interest clause in the lease agreement, courts will award reasonable interest on delayed security deposit refunds under the Interest Act or Section 34 of the CPC to prevent the landlord's unjust enrichment (*Cauvery Coffee Traders v. New Mangalore Port Trust* (2024)).

04 Unregistered Lease Deeds as Collateral Evidence

Although a lease deed may be unregistered, it is admissible in evidence for the limited collateral purpose of proving the receipt and transaction of the security deposit (*Indiranagar Sports Private Limited v. M. Susheelamma* (2025)).

HOW THE COURTS HAVE APPLIED THIS

HIGH COURT VARIATIONS ON INTEREST RATES AND ADJUSTMENTS	High Courts actively modify interest rates on delayed deposits, adjusting them from punitive contractual rates to standard commercial rates based on the equities of the case (<i>Prema K. v. Afzal Ahmed</i> (2024)). In cases of premature termination, landlords cannot withhold security deposits under the guise of lock-in period losses unless they prove actual damage or have a specific contract term authorizing such retention (<i>Arvind Kaur Narula v. Hanmer Msl Communications Pvt Ltd</i> (2018)).
OBLIGATION TO DELIVER VACANT POSSESSION AS A PREREQUISITE	If a tenant fails to deliver physical possession and retain keys, the landlord is legally justified in withholding the security deposit and adjusting the unpaid rent accrued during that period (<i>P.S. Verma v. Hindustan Coca Cola Beverages Pvt. Ltd.</i> (2011)). Similarly, security deposits will be adjusted against established counterclaims of the landlord for mesne profits and hire charges for the period of unauthorized use (<i>Tata Finance Ltd. v. P.S. Mangla & Ors.</i> (2011)).
NON-ACCRUAL OF INTEREST DURING PENDING ARBITRATIONS	A tenant is not entitled to interest on the security deposit beyond the lease term if the delay in settlement arises from ongoing, bona fide disputes regarding premises restoration and rent adjustments being resolved through arbitration (<i>Hari Chand Prakash Wanti Charitable Memorial Trust v. I.D.B.I Bank</i> (2011)).
FORFEITURE AND TERMINATION FOR SECURITY DEPOSIT BREACH	Conversely, a tenant's failure to transmit the agreed or enhanced security deposit constitutes a substantial breach of the lease agreement, giving the landlord the right to terminate the tenancy (<i>Dr. Shashi Ranjan Gupta v. M/s Spraylac Paints Corporation</i> (2013)).

II. Statutory Provisions 5 PROVISIONS

SECTION 45, KARNATAKA RENT ACT — DEPOSIT AND PAYMENT OF RENT DURING THE PENDENCY OF PROCEEDINGS FOR EVICTION

Requires a tenant contesting an eviction petition to pay or deposit all arrears of rent and continue depositing current rent throughout the proceedings.

"(1) No tenant against whom an application for eviction has been made by a landlord under section 27, shall be entitled to contest the application before the Court under that section or to prefer or prosecute a revision petition under section 46 against an order made by the Court on application under section 27 unless he has paid or pays to the landlord or deposits with the Court or the District Judge or the High Court, as the case may be, all arrears of rent and other charges due in respect of the premises upto the date of payment or deposits and continues to pay or to deposit any rent which may subsequently become due in respect of the premises at the rate at which it was last paid or agreed to be paid, until the termination of the proceedings before the Court or the District Judge or the High Court, as the case may be." *Cited in: -*

SECTION 90, CENTRAL PROVINCES TENANCY ACT — IN SUITS FOR ARREARS ALL CLAIMS BETWEEN LANDLORD AND TENANT TO BE DETERMINED

Directs the court to resolve all mutual claims between a landlord and a tenant in any suit filed for arrears of rent.

"In all suits for arrears of rent, the Court shall inquire into and determine all claims under this Act by the landlord against the tenant as such, or by the tenant against the landlord as such." *Cited in: -*

SECTION 17, WEST BENGAL PREMISES TENANCY ACT — DEPOSIT OF RENT DURING EVICTION PROCEEDINGS

Requires a tenant to deposit in court or pay to the landlord the arrears of rent along with interest upon the institution of an eviction suit, and continue monthly rent payments during the pendency of the case.

"(1) On a suit or proceeding being instituted by the landlord on any of the grounds referred to in section 13, the tenant shall... deposit in Court or with the Controller or pay to the landlord an amount calculated at the rate of rent at which it was last paid, for the period for which the tenant may have made default including the period subsequent thereto up to the end of the month previous to that in which the deposit or payment is made together with interest on such amount calculated at the rate of eight and one-third per cent. per annum from the date when any such amount was payable up to the date of deposit, and shall thereafter continue to deposit or pay, month by month, by the 15th of each succeeding month a sum equivalent to the rent at that rate."

Cited in: -

SECTION 34, CODE OF CIVIL PROCEDURE — INTEREST

Empowers the court to award reasonable interest on the principal sum adjudged from the date of the suit to the date of the decree, and further interest up to payment.

"(1) Where and in so far as a decree is for the payment of money, the Court may, in the decree, order interest at such rate as the Court deems reasonable to be paid on the principal sum adjudged, from the date of the suit to the date of the decree, in addition to any interest adjudged on such principal sum for any period prior to the institution of the suit, with further interest at such rate not exceeding six per cent. per annum as the Court deems reasonable on such principal sum, from the date of the decree to the date of payment, or to such earlier date as the Court thinks fit." *Cited in: Tata Finance Ltd. v. P.S. Mangla & Ors., Prema K. v. Afzal Ahmed*

SECTION 74, INDIAN CONTRACT ACT — COMPENSATION FOR BREACH OF CONTRACT WHERE PENALTY STIPULATED FOR

Entitles a contracting party to reasonable compensation, not exceeding any named sum or penalty stipulated in the contract, in the event of a breach, regardless of whether actual damage is proven.

"When a contract has been broken, if a sum is named in the contract as the amount to be paid in case of such breach, or if the contract contains any other stipulation by way of penalty, the party complaining of the breach is entitled, whether or not actual damage or loss is proved to have been caused thereby, to receive from the party who has broken the contract reasonable compensation not exceeding the amount so named or, as the case may be, the penalty stipulated for." *Cited in: -*

III. Cases Discussed

11 CASES · SUMMARY TABLE

#	CASE TITLE	COURT	YEAR	KEY HOLDING
01	<i>H.S. Bedi v. National Highway Authority of India</i> DLHC011316922010	HIGH COURT OF DELHI	2016	Tenant cannot withhold possession to force deposit refund; independent recovery suit is the proper remedy.
02	<i>Deepa Ramaprasad v. Daimler India Commercial Vehicles Pvt. Ltd.</i> HCMA011397722024	MADRAS HIGH COURT	2025	Landlord cannot withhold deposits for property damage without proving tenant negligence or actual expenditure.
03	<i>Indiranagar Sports Private Limited v. M. Susheelamma</i> KAHC010374782024	HIGH COURT OF KARNATAKA	2025	Unregistered lease deed is admissible in evidence for the collateral purpose of proving deposit receipt.
04	<i>Arvind Kaur Narula v. Hanmer Msl Communications Pvt Ltd</i> DLHC011333532013	HIGH COURT OF DELHI	2018	Landlord must refund deposit upon termination unless actual damage or lock-in breach loss is proven.
05	<i>Hari Chand Prakash Wanti Charitable Memorial Trust v. I.D.B.I Bank</i> DLHC010047532008	HIGH COURT OF DELHI	2011	Interest on security deposit does not accrue during unresolved arbitral disputes over premises restoration.
06	<i>Cauvery Coffee Traders v. New Mangalore Port Trust</i> KAHC010124902021	HIGH COURT OF KARNATAKA	2024	Tenant is entitled to reasonable interest on delayed deposit refund to prevent unjust enrichment.
07	<i>Prema K. v. Afzal Ahmed</i> KAHC010251502019	HIGH COURT OF KARNATAKA	2024	Court may award interest under Section 34 CPC on commercial lease deposit recovery.
08	<i>M S Cosmos Infrabuild Private Limited v. M S Kalyan Jewellers India Limited</i> DLHC010236402024	HIGH COURT OF DELHI	2024	Contractual clause allowing rent-free holdover until security deposit refund is fully enforceable.
09	<i>P.S. Verma v. Hindustan Coca Cola Beverages Pvt. Ltd.</i> DLHC011654972010	HIGH COURT OF DELHI	2011	Landlord can withhold deposit and adjust rent if tenant retains keys and possession.
10	<i>Tata Finance Ltd. v. P.S. Mangla & Ors.</i> DLHC010135122000	HIGH COURT OF DELHI	2011	Deposit is adjusted against unpaid rent and hire charges before determining final recovery.
11	<i>Dr. Shashi Ranjan Gupta v. M/s Spraylac Paints Corporation</i> DLHC010893062009	HIGH COURT OF DELHI	2013	Tenant's failure to pay agreed enhanced security deposit constitutes a material breach of lease.

IV. Case Details 11 CASE FILES

01 H.S. Bedi v. National Highway Authority of India

HIGH COURT OF DELHI • 2016-01-22 • RFA/784/2010

This dispute concerned a landlord's claim for rent and damages after the expiry of a lease agreement. The tenant, the National Highway Authority of India (NHAI), contended that it vacated the property on September 30, 2001, and requested the landlord to take possession. The landlord failed to accept possession until January 18, 2002, and subsequently sought rent for the intervening period, along with charges for alleged property damage. The trial court concluded that the tenant had effectively vacated the premises in September 2001 and that the delay in handover was attributable to the landlord's refusal to accept possession. Consequently, the court ordered the refund of the security deposit with interest and rejected the landlord's claims for additional rent and damages.

HELD The Delhi High Court held that a tenant cannot withhold possession of the premises on the ground that the security deposit has not been refunded. The tenant's remedy to recover the security deposit is independent, and if they choose to retain possession, they remain liable to pay rent up to the date of handing over the premises. Additionally, the court noted that landlords cannot dishonestly delay taking possession to misappropriate security deposits or make unsubstantiated deductions for property damage.

"The tenant has an independent remedy to recover the security but in no way can retain the possession of the premises on the plea that until and unless security is refunded, possession will not be handed over. Such a possession by the tenant is a possession for which he has to pay the rent as the premises could not have been put in use by the landlord nor have been let out by the plaintiff. No tenant can take the defence that he is entitled to retain the possession of the premises unless security amount is refunded to him."

HIGH COURT OF DELHI • 2016

SOURCE DLHC011316922010

02 Deepa Ramaprasad v. Daimler India Commercial Vehicles Pvt. Ltd.

MADRAS HIGH COURT • 2025-03-11 • AS/932/2024

This dispute arose from a lease agreement where the plaintiff tenant sought the refund of a security deposit after vacating the premises following a fire accident. The defendant landlord refused to refund the full amount, asserting a counter claim for damages and renovation costs, alleging that the fire resulted from the tenant's negligence. The trial court decreed the suit in favor of the plaintiff, ordering the refund of the deposit, and dismissed the defendant's counter claim for damages. The Madras High Court affirmed the trial court's decision, noting that the defendant failed to produce concrete evidence establishing negligence by the tenant. The court held that the cause of the fire remained inconclusive, and since the defendant had already received insurance payouts for the property damage, they could not justify further recovery from the tenant without proof of specific negligent conduct.

HELD The High Court affirmed that the landlord was not entitled to deduct renovation or repair costs from the security deposit without establishing specific negligence or breach on the part of the tenant. In the absence of conclusive proof of negligence, the landlord must refund the outstanding security deposit. Additionally, since there was an ongoing dispute over the cause of the fire, the court held that interest on the refund should only accrue from the date of the suit rather than the date of termination.

“In such view of the matter, this Court is of the view that the plaintiff is entitled to interest only from the date of suit alone and not before that. It is an admitted case of the parties that a sum of Rs.10 lakhs alone is payable by the defendant towards refundable security deposit. Though Rs.15 lakhs has been received as security deposit, a sum of Rs.5 lakhs has to be adjusted towards two months rents. Hence, after termination of the tenancy, the defendant has to return only Rs.10 lakhs...”

MADRAS HIGH COURT • 2025

SOURCE HCMA011397722024

03 Indiranagar Sports Private Limited v. M. Susheelamma

HIGH COURT OF KARNATAKA • 2025-06-30 • WP/18194/2024

This petition arose from a civil suit regarding the recovery of a security deposit paid under a lease agreement. The petitioner sought to produce and mark an unregistered lease deed as evidence, which was objected to by the respondents on the grounds of non-registration. The High Court noted that the respondents admitted the existence of the landlord-tenant relationship and the receipt of the security deposit. Finding that the document was being used solely for the collateral purpose of proving the receipt of the security deposit, the Court held that the unregistered lease deed could be admitted into evidence for that limited purpose. Consequently, the Court directed the trial court to allow the document to be marked as an exhibit for that specific collateral purpose.

HELD The High Court held that an unregistered lease agreement is admissible in evidence for the limited collateral purpose of proving the payment and receipt of the security deposit. The court observed that since the landlord-tenant relationship and the receipt of the deposit were admitted, the document could be marked as an exhibit for this restricted purpose. This ensures that the tenant's claim for a refund is not defeated solely due to the non-registration of the lease deed.

“In the event the Lessors fail to refund the entire Security Deposit as stated in the Clause 6.3, the Lessor shall be liable to pay an interest 18% per month on the Security Deposit till the time the same is refunded to the Lessee. These rights of the Lessee shall be without prejudice its right to initiate appropriate legal action against the Lessor for the refund of the Security Deposit.”

HIGH COURT OF KARNATAKA • 2025

SOURCE KAHC010374782024

04 Arvind Kaur Narula v. Hanmer Msl Communications Pvt Ltd

HIGH COURT OF DELHI • 2018-03-12 • RFA/440/2013

This case involved a dispute over the recovery of a security deposit following the premature termination of a lease agreement. The plaintiff vacated the premises before the expiration of the stipulated four-year lock-in period. The defendant initially refused to refund the deposit, alleging a breach of contract and resulting financial losses. However, the court found that the defendant had expressly acknowledged the termination and committed to refunding the deposits in written correspondence. The court concluded that the lease terms permitted termination for various reasons and that the defendant failed to substantiate claims of outstanding dues or losses during the litigation. Consequently, the trial court's decree in favor of the plaintiff was upheld.

HELD The Delhi High Court held that the security deposit must be refunded upon termination of the lease where the landlord failed to prove any actual damage or financial loss resulting from the tenant's premature vacation. The court rejected the landlord's attempt to withhold the deposit based on a breach of the lock-in period, especially since the landlord had previously written letters committing to refund the deposit.

"The contents quoted above clearly reflect that defendant had agreed to refund all the deposits of the plaintiff reserving no right to herself under the lease deed nor she had objected on account of non refunding of deposit because of the lock-in-period. On perusal of the whole lease deed reveals that it does not provide any provision as to what will be the outcome in case the lease deed is terminated by either of the parties before the expiry of lock-in-period."

HIGH COURT OF DELHI • 2018

SOURCE DLHC011333532013

05 Hari Chand Prakash Wanti Charitable Memorial Trust v. I.D.B.I Bank

HIGH COURT OF DELHI • 2011-11-15 • EX.P./9/2008

This case involved the execution of an arbitral award concerning a commercial lease dispute. Following the termination of the lease, the parties disagreed on the final settlement amount after adjusting a security deposit against unpaid rent and additional charges. The court determined that the respondent (judgment debtor) owed the petitioner (decree holder) a specific balance after accounting for offsets. The court rejected the respondent's claim for interest on the security deposit, ruling that the obligation to pay rent during the premises' restoration period took precedence. Furthermore, the court held that under the Arbitration and Conciliation Act, the petitioner was entitled to 18% interest on the awarded amount from the date of the award until payment.

HELD The Delhi High Court held that a tenant is not entitled to interest on the security deposit for the period beyond the subsistence of the lease when outstanding disputes regarding rent and property restoration are pending resolution. The court ruled that the landlord's claim for rent during the restoration period takes precedence, and the deposit is properly adjusted against such rent before any refund or interest accrual is considered.

"There is merit in the contention of the DH that till such time the five weeks rent was not fully paid by the JD, the question of the DH paying any interest on the security deposit for the period beyond subsistence of the lease did not arise. Further, the issue whether the JD was liable to pay the DH rent for the period during which the premises were restored to its original position was the subject matter of arbitration."

HIGH COURT OF DELHI • 2011

SOURCE DLHC010047532008

06 Cauvery Coffee Traders v. New Mangalore Port Trust

HIGH COURT OF KARNATAKA • 2024-06-14 • WP/5839/2021

The petitioner, a partnership firm, sought a refund of a security deposit held by the respondent following the termination of a port plot lease. Although the respondent eventually refunded a portion of the deposit after a protracted dispute regarding the date of possession handover, they refused to pay interest on the delayed payment. The court held that while the lease agreement lacked an express interest clause, it was unreasonable for the respondent to retain the funds for nearly a decade while simultaneously imposing penalties on the petitioner. Finding that the respondent would be unjustly enriched by withholding interest, the court directed the respondent to pay 9% interest per annum on the outstanding refund from the date possession was surrendered until the date of payment.

HELD The Karnataka High Court ruled that even in the absence of an express interest clause in the allotment letter or lease agreement, the landlord cannot withhold the tenant's security deposit for an extended period without justification. Doing so amounts to unjust enrichment. The court directed the landlord to pay a reasonable interest rate of 9% per annum from the date physical possession was handed over until the actual date of payment.

"Although there is no clause stating that the petitioner is entitled to interest on the delayed refund of the security deposit, this cannot be grounds for denying the petitioner such interest. When the respondent charged a penalty for the seven-day delay in handing over possession, it is unreasonable for the authorities to withhold the petitioner's money for nearly ten years without any justification and deny interest on the belated payment of the security deposit."

HIGH COURT OF KARNATAKA • 2024

SOURCE KAHC010124902021

07 Prema K. v. Afzal Ahmed

HIGH COURT OF KARNATAKA • 2024-02-28 • RFA/727/2019

This case concerns a dispute over the refund of an interest-free security deposit paid under a lease agreement. The plaintiff, a tenant, vacated the premises and sought the return of the remaining security deposit after adjustments for rent arrears. The defendant claimed to have made several cash payments toward the refund, which the plaintiff denied. The trial court decreed the suit in favor of the plaintiff. On appeal, the defendant argued that certain payments were ignored and contested the interest rate awarded. The High Court upheld the trial court's finding regarding the principal amount due, noting the defendant failed to substantiate her claims.

of additional cash payments. However, the court modified the interest rate from 18% to 10% per annum, considering the nature of the commercial transaction and the duration of the litigation.

HELD The High Court held that under Section 34 of the CPC, courts have the discretion to award reasonable interest on the recovery of a security deposit. Since the lease agreement did not stipulate interest for delayed refunds, the trial court's award of 18% was excessive. The High Court modified the interest rate to a more reasonable 10% per annum, taking into account commercial banking rates and the default of the landlord.

"Admittedly, there is no condition in the Ex.P.1/Rent Agreement for payment of interest on security deposit for delayed payment of the same to the plaintiff. Under such circumstances, without any reason, the learned trial Judge awarded interest at the rate of 18% per annum that is also on much higher side. The suit is for recovery of security deposit... It is a commercial transaction, therefore considering the provisions of Section 34 of the CPC... imposing of interest at the rate of 10% per annum, is just and proper."

HIGH COURT OF KARNATAKA • 2024

SOURCE KAHC010251502019

08 M S Cosmos Infrabuild Private Limited v. M S Kalyan Jewellers India Limited

HIGH COURT OF DELHI • 2024-04-30 • CS(COMM)/344/2024

This case concerns a commercial property dispute between a lessor and a lessee over a commercial lease agreement. The plaintiff, the lessor, sought possession of the property or, alternatively, monthly compensation. The court noted that the parties are already engaged in ongoing litigation regarding the same lease agreement and the same subject property. In a previous related matter, the High Court and a Division Bench had already examined the rights of the parties under the lease, particularly concerning security deposits and the right of the lessee to hold possession until the refund of such deposits. Finding the issues already extensively litigated and pending determination, the court addressed the procedural requirement of pre-litigation mediation under the Commercial Courts Act.

HELD The High Court affirmed that where a lease agreement contains a clause allowing the tenant to continue occupying the premises rent-free if the landlord fails to refund the security deposit, such a clause is valid and enforceable. The court also clarified that only specific contractually agreed expenses (e.g., rent, utility bills) can be straightaway adjusted against the security deposit, whereas unquantified claims for property restoration or repairs cannot be unilaterally deducted without mutual agreement or formal assessment.

"The latter part of Clause 6 states that in the event the appellant/defendant/lessor defaults in refunding the security deposit, the respondent/plaintiff/lessee will have the right to use the premises without payment of lease rent, till the security deposit along with interest accrued [for the delayed period] is refunded... As noticed above, the contestation between the disputants is what can be adjusted against the security deposit under the second lease agreement. The respondent/plaintiff/lessee says, and in our view, quite correctly, that only arrears towards rent, service tax, unpaid electricity and water charges can be adjusted."

HIGH COURT OF DELHI • 2024

SOURCE DLHC010236402024

09 P.S. Verma v. Hindustan Coca Cola Beverages Pvt. Ltd.

HIGH COURT OF DELHI • 2011-05-24 • RSA/236/2010

This dispute concerned a landlord's claim for unpaid rent and a tenant's counterclaim for the refund of a security deposit. Although the tenant claimed to have vacated the premises, the court found evidence that the tenant retained possession and keys until September 2005. The lower courts had incorrectly interpreted the lease agreement's clauses in isolation, ignoring the provision allowing the landlord to withhold the security deposit until vacant possession was handed over. The High Court determined that the tenant's retention of the property precluded the refund of the deposit and entitled the landlord to deduct unpaid rent from it. Consequently, the court allowed the landlord's appeal, dismissed the tenant's counterclaim, and decreed the suit for the outstanding rent balance.

HELD The High Court held that the lease agreement must be read as a whole, and where there is a clause permitting the landlord to withhold the security deposit until vacant possession is delivered, the tenant cannot demand a refund while still retaining physical possession or the keys of the premises. If the tenant retains possession, the landlord is entitled to deduct the accrued rent for that period from the deposit.

"Clause 3 specifically postulates that in the event the lessee does not remove himself from the demised premises, the lessor shall be entitled to withhold the Security Deposit until the lessee hands over vacant possession of the demised premises to the lessor."

HIGH COURT OF DELHI • 2011

SOURCE DLHC011654972010

10 Tata Finance Ltd. v. P.S. Mangla & Ors.

HIGH COURT OF DELHI • 2011-03-11 • CS(05)/2569/2000

This matter involved two consolidated suits arising from a lease agreement for commercial premises. The plaintiff, Tata Finance Ltd., sought the refund of an interest-free security deposit after vacating the premises. The defendants, as lessors, disputed the termination of the lease and filed a counterclaim for unpaid rent, damages, property taxes, and maintenance charges, arguing that the lease had not been legally terminated and continued until its natural expiry. The court addressed issues regarding the proper authorization of the plaint and the validity of the lease termination process under the specific clauses of the agreement. The dispute centered on

whether the plaintiff effectively exercised its termination rights or remained liable for rent and damages for the occupancy period.

HELD The High Court held that upon delivery of constructive possession, the security deposit becomes refundable and the tenant is entitled to interest under Section 3 of the Interest Act for the delay in refund. However, if there are valid counterclaims by the landlord for damages and hire charges for the period of occupancy, the security deposit and accrued interest are to be adjusted against these liabilities, and only the net balance is recoverable.

“Since the security deposit was lying with the defendants and it became payable on the date constructive possession was delivered to the defendants, the plaintiff in CS(OS) No.2569/2000 is entitled to interest on the aforesaid amount in terms of Section 3 of the Interest Act... In the facts and circumstances of the case, I feel that interest on security deposit should be awarded at the rate of 6% per annum... After adjusting the amount of security deposit and interest thereon till the date of filing of the suit from the amount of damages and hire charges...”

HIGH COURT OF DELHI • 2011

SOURCE DLHC010135122000

11 Dr. Shashi Ranjan Gupta v. M/s Spraylac Paints Corporation

HIGH COURT OF DELHI • 2013-12-17 • CS(OS)/1019/2009

The plaintiffs sought a declaration of implied surrender of a lease, ejectment of the defendants from the suit property, and recovery of unpaid property tax dues. The plaintiffs argued that the first defendant, a partnership firm, had breached lease covenants, including non-payment of property tax and unauthorized security deposit arrangements, thereby forfeiting their tenancy under the Delhi Rent Control Act. The first defendant contested the suit, asserting that the relationship remained governed by the rent control laws and that the court lacked jurisdiction. Upon review, the court evaluated the claims regarding lease forfeiture and arrears based on the registered lease agreements and evidence of property tax payments, ultimately addressing the rights of the landlord against the primary lessee and its sub-tenant.

HELD The Delhi High Court held that a tenant's failure to transmit the agreed enhanced security deposit to the landlord constitutes a conscious and deliberate breach of the lease agreement. Such a breach entitles the landlord to terminate the lease and seek the tenant's ejectment from the property. The court noted that a landlord cannot be forced to accept an afterthought deposit in court during litigation to cure a deliberate breach.

“The breach of clause 5 of the lease Exh. PW-1/4 cannot even be termed as accidental or unintentional. It is a conscious and deliberate breach of clause 5 of Exh. PW-1/4 by defendant no.1... Therefore, in any event, the lease stood terminated on the expiry of the tenancy month of April 2009. In the light of the aforesaid findings... the consequence of the legal and valid termination of lease of defendant no.1 would be that the plaintiff is entitled to a declaration that defendant no.1 has surrendered the lease...”

HIGH COURT OF DELHI • 2013

SOURCE DLHC010893062009

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