



Customer is King or a slave of destiny: Developers keep exploiting RERA's structural flaws

New Delhi (26.12.2020): Several RERA compliant projects have turned into big headaches, or even unending nightmares, for needy home-buyers.

What goes in the name of RERA compliance is just the routine filing, and uploading on the state RERA portals, of details including the sanctioned map, site layout plan, schedule for project completion, regular progress updates, escrow account, and many more elaborate procedural formalities.

However, the expansive documentation and disclosure of vital figures, facts, data, and information in the public domain never ever disclose the actual on-ground compliances so that the home-buyers are clueless about the risk factors involved in a housing project.

This keeps the house buyers in the dark and hence vulnerable to manipulations.

Since there is no monitoring done by RERA authorities to ensure that the developers abide by their circuitously written pledges in actual terms, the unmitigated sufferings of consumers continue to multiply.

The Real Estate (Regulation and Development) Act 2016 was enacted to regulate contracts between buyers and sellers and ensure consumer protection and standardization of property transactions with well-defined documented procedures. The Act aimed at uniform standards in the real estate sector with the establishment of real estate regulatory authorities in states and union territories.

However, RERA rules have loopholes that developers have been smartly exploiting with the help of their lawyers and their connections with the officialdom.

Once the preliminary paper formalities are done, developers never stick to project completion schedules and fill up evasive quarterly progress reports with sketchy details and perfunctory pictures. The so-called escrow account – requiring utilization of 70% project funds on construction – does exist but in name only. In the absence of any effective mechanism to prevent the diversion of escrow funds, it is reported from several states that developers have

been gaming the system to siphon off funds in many cases.

This has given a bad name to the government which thought that the RERA would resolve some, if not all, problems of the real estate sector.

In the absence of any effective mechanism to implement RERA rules and regulations, developers are least bothered about filing genuine quarterly project updates; ensuring deliverance of facilities and amenities flaunted in their brochures; maintaining the quality of construction; and most importantly complying with RERA orders.

The cavalier attitude of RE developers most often stems from the fact that authorities seldom impose penalties under Section 63 of the RERA Act, and feel helpless in prevailing upon district collectors to get recovery certificates (RCs) executed as arrears of land revenue.

Most RERA authorities are indiscreetly liberal in granting an extension of project completion timelines and the [COVID-19](#) crisis has provided them with the God-sent excuse to let developers walk away with six to nine months' blanket extension. Thus, while they stand further insulated against any payment obligations towards interest, compensation, and the penalty for delay, the force majeure clause invoked in the wake of the pandemic has made the wait for project delivery even more tortuously long and elusive for property buyers.

Intriguingly, the mandatory disclosures made by developers on RERA portals miss out on some vital facts which can equip homebuyers to figure out the real picture. Take for instance;

Loan liability of a housing project towards banks

The amount due to the development of authority against land procurement

These loopholes need to be fixed in the larger interests of home buyers and keeping the economy on an even keel to achieve the GDP target of \$ five trillion by 2025.

It may be noted that in an open market economy, the consumer is treated like a king. But in the country's real estate sector, consumers are still treated like slaves of vested interests formed by a deeply-entrenched nexus of builders, banks, babus, and netas. Except for some landmark initiatives of the Supreme Court in rescuing homebuyers in stuck projects, there is still no end to the saga of their suffering.