2026 INSC 1017

REPORTABLE

IN THE SUPREME COURT OF INDIA
CIVIL APPELLATE JURISDICTION

CIVIL APPEAL NO. OF 2026
(@ S.L.P. (C) NO. 5710 OF 2025)

NATIONAL SEEDS CORPORATION LTD. ... APPELLANT

VERSUS

NATIONAL AGRO SEED CORPORATION (INDIA) ... RESPONDENT

J U D G M E N T

1. Leave granted.

2. A deposit is not synonymous with payment. A sum put beyond the debtor's own reach neither extinguishes his liability nor places it in the creditor's hands. Between the deposit of a sum in court and the final discharge of liability lies a spectrum of possibilities, attended by a corresponding degree of uncertainty. Resolving that uncertainty, in the specific context of enforcement of an arbitral award, is at the heart of this appeal. Disputes of this nature arise with unsettling regularity, yet the Arbitration and Conciliation Act, 1996 (the '1996 Act'), as it stands, provides no clear guidance on the interplay between conditional deposits and the accrual of interest. This lacuna cannot be ignored. We have therefore, in the later part of the judgment, also noticed the asymmetry that exists in our country with regard to the method and manner by which deposits are directed to be made before the Courts/Tribunals when appeals are being considered. We have requested the Law Commission of India to examine the issues which we have highlighted in this judgment and in the process, the Law Commission has also been requested to consider the laws which other countries have enacted and to consult the Reserve Bank of India, Ministry of Finance and also the Nodal Ministry of Law and Justice.

3. This appeal, at the instance of the Award-Debtor ('appellant'), calls into question the correctness of the judgment and order dated 05.08.2024 passed by the High Court[1]. By the impugned order, the High Court held the appellant liable to pay interest at the rate of 12% *per annum* on the awarded sum for the period commencing on 13.06.2019, being the date of the Arbitral Award, and ending on 08.09.2022, being the date on which the deposited amount was ordered to be released in

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[1] **The High Court of Delhi**

favour of the Award-Holder ('respondent') within eight weeks and disposed of the execution petition.

<u>FACTUAL BACKDROP</u>

4. The facts lie within a narrow compass. On 13.06.2019, an Arbitral Award came to be passed against the appellant for a sum of Rs.1,46,40,005.02/- (Rupees One Crore Forty-Six Lakh Forty Thousand Five and Two Paise only), together with interest at the rate of 12% *per annum* from 26.08.2017 till the date of the Award, aggregating to Rs.1,77,97,434/- (Rupees One Crore Seventy-Seven Lakh Ninety-Seven Thousand Four Hundred and Thirty-Four only). Aggrieved thereby, the appellant assailed the Award in a petition under Section 34 of the 1996 Act before the High Court. By an *ex parte* interim order dated 16.10.2019, the High Court stayed enforcement of the Award, subject to the condition that the appellant deposit 50% of the principal sum awarded by the Arbitrator, namely that is Rs.1,46,40,005.02, within six weeks.

5. In purported compliance with the aforesaid interim order, the appellant deposited a sum of Rs.73,20,003/- (Rupees Seventy-Three Lakh Twenty Thousand and Three only) with the Registry of the High Court by demand draft dated 25.11.2019.

On 05.01.2022, the High Court dismissed the appellant's petition under Section 34 of the 1996 Act. The respondent filed an execution petition on 24.01.2022. Thereafter, the respondent filed I.A. No. 2677 of 2022 on 14.02.2022, seeking the release of the amount deposited in compliance with the order dated 16.10.2019. While deciding the I.A., the High Court took note of the execution petition filed and directed that the amount be considered as deposited in the execution proceedings.

PROCEEDING UNDER SECTION 37 OF THE 1996 ACT

6. Being aggrieved by the judgment dated 05.01.2022, the appellant carried the matter in appeal under Section 37(1)(c) of the 1996 Act. That appeal came to be dismissed by a Division Bench of the High Court on 31.05.2022. The appellant thereupon approached this Court way of a Special Leave Petition, which was dismissed on 26.08.2022.

PROCEEDING IN THE EXECUTION PETITION

7. In the meantime, the respondent had instituted execution proceedings on 24.01.2022 seeking enforcement of the Award dated 13.06.2019. By an application dated 05.03.2022, the respondent sought withdrawal of the sum of Rs. 73,20,003/-

(Rupees Seventy-Three Lakh Twenty Thousand and Three only) already deposited by the appellant along with the interest accrued thereon. The appellant resisted the prayer, contending that its appeal under Section 37 of the 1996 Act stood reserved for orders, and filed a reply objecting to such withdrawal.

8. By an order dated 23.03.2022, the executing court directed the appellant to deposit the balance sum with the Registry within four weeks. The appellant having failed to comply, the Court on 27.04.2022 recorded the appellant’s statement that it would deposit the demand draft in its possession by the following day. In compliance therewith, the appellant deposited the balance sum of Rs.1,53,17,792/- (Rupees One Crore Fifty-Three Lakh Seventeen Thousand Seven Hundred and Ninety-Two only) by two demand drafts dated 26.04.2022.

9. Upon dismissal of the Section 37 appeal, the executing court, by an order dated 07.07.2022, on respondent’s request, permitted the release of Rs. One Crore in favour of the respondent, but subjected such release to the respondent furnishing security in the form of title deeds of immovable property. The appellant opposed this conditional release on the ground that it was in the process of filing a Special Leave

Petition. Although, the respondent tendered five title deeds by way of security, it soon found itself unable to part with them. By an order dated 19.07.2022, the High Court recorded that the respondent, being in serious financial difficulty and needing to raise funds to save its properties from auction, was no longer pressing for release of the Rs. One Crore, and accordingly directed return of the title deeds.

10. By an order dated 27.07.2022, the executing Court took note of the respondent's submission that, the Award having been upheld and there being no subsisting stay, it ought to be permitted to withdraw the amount without furnishing security. Even so, the court deferred the matter to afford the appellant a final opportunity to approach this Court.

11. That opportunity too came to nought. On 26.08.2022, this Court dismissed the appellant's Special Leave Petition filed against the judgment dated 31.05.2022. The respondent renewed its prayer for release by filing an application on 22.08.2022 seeking a direction to release the amount. The executing court by its order dated 08.09.2022, took note of the dismissal of the Special Leave Petition, and held that the Award had attained finality. The Court directed the release of the amount, and the appellant, for the first time, did not object to such release. The compliance of the aforesaid direction was recorded in the order dated 14.09.2022. The controversy thus narrowed to a single surviving question: whether the appellant is liable to pay interest for the period between 13.06.2019 and 08.09.2022.

IMPUGNED ORDER

12. By the impugned order dated 05.08.2024, the executing court held that although the awarded sum had been deposited by the appellant in two tranches, it was, in truth, never available to the decree-holder for its use and enjoyment, precisely because the appellant had resisted its release at every stage. The court noted that the decretal amount became available to the respondent only on 08.09.2022. The Court further noted that in view of Order XXI Rules 1 and 4 of the Code of Civil Procedure, 1908 ('Code'), conditional deposits are never to be construed as payments by the judgment-debtor in satisfaction of the decretal amount. The executing court, therefore, directed the appellant to pay interest at the rate of 12% *per annum* from 13.06.2019 till 08.09.2022, and disposed of the execution petition accordingly.

13. It is in this factual setting that the appeal arises. During its pendency, this Court by an order dated 25.03.2026 permitted release of the interest that had accrued on the monies lying deposited in the High Court, and the High Court, by order dated 30.04.2026, allowed the respondent's application in that regard.

SUBMISSIONS

14. Mr. Yashvardhan, learned counsel for the appellant, has made the following submissions: (i) the deposit of the awarded amount signifies satisfaction of the award. In support of aforesaid submission reliance was placed on the decisions of this Court[2], (ii) in case of partial deposit of the awarded amount, interest will cease to run on the amount deposited in the Court. In this connection, reference has been made to a decision of this Court[3], (iii) the award holder shall be entitled only to interest accrued on the deposited amount in terms of the fixed deposit. In support of aforesaid proposition, reliance is placed on a decision of this Court[4], (iv) reliance on Order XXI

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[2] **Himachal Pradesh Housing and Urban Development Authority & Anr.** v. **Ranjit Singh Rana, (2012) 4 SCC 505; Union of India & Anr.** v. **M.P. Trading** and **Investment RAC. Corporation Limited, (2016) 16 SCC 699; Union of India** v. **Concrete Products and Construction Company & Ors., (2014) 4 SCC 416.**

[3] **Concrete Products and Construction Company & Ors.** (supra)

[4] **Concrete Products and Construction Company & Ors.** (supra)

Rules 1 (1) and (4) of the Code is misplaced as the 1996 Act is a self-contained code and the applicability of the general law is impliedly excluded. A reference was made to the decisions of this Court[5], (v) it was pointed out that even though the appellant had deposited a sum of Rs. 73,20,003/- on 25.11.2019, yet no application was made seeking withdrawal till 14.02.2022.

15. It was accordingly urged that the appellant is not liable to pay interest on the deposited sum, at any rate for the period between 25.11.2019 till 14.02.2022. He also submitted that to obviate any loss or difficulty faced by the respondent, directions contained in Paragraph No. 40 of a decision of this Court[6] must be given effect to forthwith.

16. Mr. Ashutosh Kumar, learned counsel for the respondent, submitted that in compliance with the order dated 16.10.2019 passed by the High Court, the appellant deposited a sum of Rs. 73,20,003/-. It was contended that the aforesaid amount was neither deposited to satisfy the award nor was the same made available to the respondent. It was urged that the benefit of the

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[5] **Fuerst Day Lawson Ltd.** v. **Jindal Exports Ltd., (2011) 8 SCC 333; Sundaram Finance Limited & Anr.** v. **T. Thankam, (2015) 14 SCC 444; Sundaram Finance Ltd.** v. **Abdul Samad & Anr., (2018) 3 SCC 622;** and **Pam Developments Private Ltd.** v. **State of West Bengal, (2019) 8 SCC 112.**
[6] **K.L. Suneja & Anr.** v. **Dr. Manjeet Kaur Monga (Dead) Through her LR & Anr., (2023) 6 SCC 722.**

cessation of interest liability under Order XXI Rule 1 of the Code would not be available to the appellant as he opposed the release of amount to the respondent. It was pointed out that only on 07.07.2022, the High Court permitted the partial release of an amount of Rs. 1 crore against furnishing security in the form of title deeds of immovable properties which does not amount to satisfaction of the award and therefore the benefit of Order XXI Rule 1 of the Code is not available to the appellant.

17. In the alternative, it was contended that, in any case, the benefit of interest would accrue on principal amount of the award till 08.09.2022, that is, the date on which the amount deposited by the appellant was permitted to be withdrawn unconditionally. Reference has also been made to the report of Expert Committee headed by Dr. T.K. Viswanathan. In support of the aforesaid submissions, reliance has been placed on the decisions of this Court[7].

RELEVANT STATUTORY PROVISIONS

[7] **P.S.L. Ramanathan Chettiar & Ors.** v. **O.R.M.P.R.M. Ramanathan Chettiar, 1968 SCC OnLine SC 28; K.L. Suneja & Anr.** (supra)**; Nepa Ltd. through its Senior Manager (Legal)** v. **Manoj Kumar Agrawal, 2022 SCC OnLine SC 1736; Delhi Development Authority** v. **Bhai Sardar Singh & Sons, 2020 SCC OnLine SC 1450;** and **DLF Limited & Anr.** v. **Koncar Generators & Motors Limited (2025) 1 SCC 343.**

18. Undoubtedly, the 1996 Act which consolidates, amends and develops the law relating to arbitration, to bring it as much as possible, in harmony with UNCITRAL model, is a self-contained code. However, the 1996 Act itself incorporates the principles of the provisions of the Code. Section 36 of the 1996 Act deals with the enforcement of Arbitral Awards. Section 36(1) of the 1996 Act creates a legal fiction by providing that an award shall be enforced in accordance with the Code in the same manner as if it were a decree of the court. For the limited purpose of enforcement of the Award, an arbitration Award is treated as if it were a decree. It is well-settled in law that the court while construing the legal fiction should not extend the fiction beyond the purpose for which it was created. Therefore, an Award remains an Award and does not become a decree[8]. Section 36(3) of the 1996 Act mandates that the Court, while considering the application for grant of stay in case of an Arbitral Award for payment of money, shall have due regard to the provision of grant of stay of a money decree under the

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[8] **Paramjeet Singh Patheja** v. **ICDS Ltd.; (2006) 13 SCC 322** and **Sundaram Finance Ltd.** v. **Abdul Samad** (supra).

provisions of the Code. The relevant extract of Section 36 of the 1996 Act reads as under:

> "**36. Enforcement.—**(1) Where the time for making an application to set aside the arbitral award under section 34 has expired, then, subject to the provisions of sub-section (2), such award shall be enforced in accordance with the provisions of the Code of Civil Procedure, 1908 (5 of 1908), in the same manner as if it were a decree of the court.
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> (2) Where an application to set aside the arbitral award has been filed in the Court under section 34, the filing of such an application shall not by itself render that award unenforceable, unless the Court grants an order of stay of the operation of the said arbitral award in accordance with the provisions of sub-section (3), on a separate application made for that purpose.
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> (3) Upon filing of an application under sub-section (2) for stay of the operation of the arbitral award, the Court may, subject to such conditions as it may deem fit, grant stay of the operation of such award for reasons to be recorded in writing:
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> Provided that the Court shall, while considering the application for grant of stay in the case of an arbitral award for payment of money, have due regard to the provisions for grant of stay of a money decree under the provisions of the Code of Civil Procedure, 1908 (5 of 1908).
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> Provided further that where the Court is satisfied that a Prima facie case is made out that, —
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> (a) the arbitration agreement or contract which is the basis of the award; or
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> (b) the making of the award,

was induced or effected by fraud or corruption, it shall stay the award unconditionally pending disposal of the challenge under section 34 to the award."

18.1. Order XXI of the Code deals with execution of decrees and orders. Order XXI Rule 1 of the Code recognizes following three modes of payment of money under the decree:

> "**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."

18.2. Order XXI Rule 1 sub-Rules (4) and (5) of the Code which are relevant for the purposes of controversy involved in this appeal are extracted below for the facility of reference:

> **"(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).
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> **(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."

18.3 Order XXI Rule 1(5) of the Code provides for cessation of interest in following cases; (i) where the decree-holder refuses to accept postal money order or payment through a bank, interest shall cease to run from the date on which money was tendered to him, (ii) where he avoids acceptance of the postal money order or payment through bank, interest shall cease to run from the date on which money would have been tendered to him in the ordinary course of business of the postal authorities or the bank. If the deposit has been made available to the Award-holder/Decree-holder, it must take timely action for withdrawal of the amount.

18.4 Order XLI Rule 5 of the Code deals with stay of proceedings of execution. Order XLI Rule 5(3) of the Code mandates that no order for stay of execution shall be made unless conditions mentioned in Clauses (a) to (c) are satisfied. Order XLI Rule 5(3) of the Code reads as under:

> "**(3)** No order for stay of execution shall be made under sub-rule (1) or sub-rule (2) unless the Court making it is satisfied— (a) that substantial loss may result to the party applying for stay of execution unless the order is made; (b) that the application has been made without unreasonable delay; and (c) that security has been given by the applicant for the due performance of such decree or order as may ultimately be binding upon him."

18.5 Order XLI Rule 6 of the Code deals with security in case of order for execution of decree appealed from. Order XLI Rule 6(1) of the Code is reproduced below for the facility of the reference:

> "**6. Security in case of order for execution of decree appealed from.**—(1) Where an order is made for the execution of a decree from which an appeal is pending, the Court which passed the decree shall, on sufficient cause being shown by the appellant, require security to be taken for the restitution of any property which may be or has been taken in execution of the decree or for the payment of the value of such property and for the due performance of the decree or order of the Appellate Court, or the Appellate Court may for like cause direct the Court which passed the decree to take such security."

ISSUES

19. The issues which arise for consideration in this appeal are as under: (i) whether an Award-Debtor is liable to pay interest on the amount deposited by it in accordance with Order XXI Rule

1 of the Code before the Court? and (ii) whether the deposit was made by the appellant in accordance with Order XXI Rule 1 of the Code and therefore, its liability to pay interest had ceased?

ANALYSIS

20. The question as to how Order XXI Rule 1 ought to be interpreted and the subsequent interest calculation when the defendant/judgment-debtor/award-debtor deposits either some or the entirety of the amount with a court, was considered in extensive detail by a Constitution Bench of this Court in ***Gurpreet Singh*** *v.* ***Union of India***[9]. The Constitution Bench noted that interest with respect to any decretal deposit made into a court ceases to run from the date when the depositor serves a notice to the plaintiff/decree-holder/award-holder or, if the payment is tendered outside court, such payment is refused. The relevant portions of the Constitution Bench's judgment are extracted below for ready reference:

> "**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

[9] **(2006) 8 SCC 457.**

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 acknowledgment 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."

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:
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> "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."
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> **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 reappropriation 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."

21. The issue whether a deposit has been made in consonance with Order XXI Rule 1 of the Code was considered by a three-

Judge Bench of this Court[10] wherein it was held that the real effect of deposit of money in the court is to put the money beyond the reach of parties pending disposal of an appeal. It was further held that if the decree-holder was permitted to withdraw the amount only on furnishing security, means that payment was not made in satisfaction of the decree. In order to make a deposit in consonance with Order XXI Rule 1 of the Code, the same has to be unconditional and decree-holder must be free to withdraw the same whenever he pleases. It was also held that if a deposit is not made in terms of Order XXI Rule 1 of the Code, the interest continues to run on the amount after the deposit.

22. A two-Judge Bench of this Court[11] without noticing the aforesaid decision rendered by a three-Judge Bench of this Court in ***P.S.L. Ramanathan Chettiar & Others*** (supra), held that expression "payment" in the context of Section 37(1)(b) of the 1996 Act means extinguishment of liability arising under the award and signifies satisfaction of the award. It was further held that the deposit of the award amount is

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[10] **P.S.L. Ramanathan Chettiar & Ors.** (supra)

[11] **Himachal Pradesh Housing and Urban Development Authority and Another** (supra).

nothing but a payment to the credit of decree-holder. The aforesaid view was reiterated by another two-Judge Bench of this Court[12]. While another three-Judge Bench of this Court[13] and a two-Judge Bench of this Court[14] reiterated the principle laid down in ***P.S.L. Ramanathan Chettiar & Others*** (supra).

23. A two-Judge Bench of this Court[15], has held that provisions of Order XXI of the Code embody a sound policy principle that if the amount is deposited or paid to the decree-holder or person entitled to it, the person entitled to amount cannot later seek interest on it. The said principle requires the debtor to ensure that amount payable is placed at the disposal of the person entitled to receive it. This Court also emphasised that all courts and judicial forums should frame guidelines providing that where the amounts are deposited with the office/registry of the court/tribunal, such amounts should mandatorily be deposited in a bank or some financial institution to ensure that no loss is caused in the future. It was further held that the guidelines should be embodied in the form of appropriate

[12] **M.P. Trading and Investment RAC. Corporation Limited** (supra).
[13] **Delhi Development Authority** v. **Bhai Sardar Singh and Sons** (supra)
[14] **Nepa Limited** (supra).
[15] **K.L. Suneja** (supra).

rules, or regulations of each court, tribunal, commission, authority, agency etc., exercising adjudicatory power.

24. Finally, in a recent judgment in ***DLF Ltd. & Anr.*** *v.* ***Koncar Generators and Motors Ltd.*** (supra), one of us *(P.S. Narasimha, J)* had the opportunity to trace the evolution of judicial interpretation with respect to Order XXI Rule 1. The two-Judge Bench of this Court concluded that the key question, with respect to the calculation of interest vis-à-vis a decretal deposit in a court, is whether the decree-holder/award-holder could freely withdraw the same. The relevant portion of this Court's holding on that point is extracted below:

> "**44**. These cases demonstrate that once there is a deposit by the award debtor and the award-holder is permitted to withdraw the same, even if such withdrawal is conditional and subject to the final decision in the matter, the court must consider that the award-holder could access and benefit from such deposit. It is then the burden of the award-holder to furnish security, as required by the court's orders, to utilise the amount or to make an application for modification of the condition if it is unable to fulfil the same."

25. From the foregoing authorities, the following principles may be distilled:

(i) The 1996 Act is a self-contained code. Section 36(1) contains a legal fiction by which Award passed under the 1996 Act is made executable as if it were a decree of the court.

(ii) Section 36(3) of the 1996 Act provides that the court while dealing with an application of stay of an Arbitral Award for payment of money shall have due regard to provisions for grant of stay of money decree under the Code.

(iii) The real effect of deposit of money in the court is to put the money beyond the reach of the parties.

(iv) A deposit of the amount in the court has to be made unconditionally and the same must be available to the decree-holder for withdrawal, in order to make the deposit in consonance with Order XXI Rule 1 of the Code.

(v) If the Decree-Holder is permitted to withdraw the amount only on furnishing security, it amounts to payment not made in the satisfaction of the decree and not in accordance with Order XXI Rule 1 of the Code.

(vi) If the deposit is not made in terms of Order XXI Rule 1 of the Code, the interest continues to run on the amount after the deposit.

(vii) A decree-holder cannot claim interest on deposit if he fails to take any action seeking withdrawal of the amount. Such inaction shall be treated as deemed refusal of the tender of the amount.

(viii) Where the sum deposited by the Judgment-debtor is converted and is held as fixed deposit at Decree-holder's own request, he shall only be entitled to interest accrued on such fixed deposit.

(ix) Where only a part of outstanding sum is deposited or tendered which is available for withdrawal by the Award-holder/Decree-holder unconditionally, accrual of interest shall cease only on such deposit, and the remaining part will continue to attract interest at the applicable rate.

26. In the backdrop of aforesaid legal principles, we may advert to the facts of the case in hand. An award was passed on 13.06.2019 in favour of the respondent. In compliance with the interim order dated 16.10.2019 passed in a petition under Section 34 of 1996 Act, the appellant on 25.11.2019 deposited a sum of Rs.73,20,003/-. The said deposit was made solely to obtain stay of enforcement of the Award pending Section 34 petition and was not accompanied by a notice under Order XXI

Rule 1(2) of the Code. Pursuant to dismissal of appellant's 34 objection petition on 05.01.2022, the respondent filed an I.A. on 14.02.2022. The appellant resisted the application for withdrawal of the amount even after dismissal of the petition under Section 34 of the 1996 Act and even during the pendency of the appeal under Section 37 of the 1996 Act.

27. The High Court by an interim order dated 17.02.2022 took up the I.A. and directed that such deposit shall be considered as deposit in execution proceeding. On 26.04.2022, the appellant deposited the balance sum of Rs. 1,53,17,792/- (Rupees One Crore Fifty-Three Lakh Seventeen Thousand Seven Hundred Ninety-Two only). The appellant resisted the aforesaid application. The executing court, by an order 07.07.2022 permitted withdrawal of a sum of Rs. One Crore subject to deposit of title deeds. The respondent did not withdraw the amount and sought release of the title deeds as it was facing severe financial crisis and had to raise funds to save its properties from getting auctioned. Thus, from the aforesaid narration of facts, it is evident that the deposit made by the appellant was not in accordance with Order XXI Rule 1 of the

Code and the respondent was not free to withdraw the same unconditionally.

28. For the aforementioned reasons, the first issue is answered in the affirmative by stating that if payment is made by an Award-Debtor in accordance with Order XXI Rule 1 of the Code, the liability to pay interest on such deposit ceases. The appellant in the instant case did not make the deposit in consonance with Order XXI Rule 1 of the Code, and therefore, liability to pay interest did not cease. The second issue is answered accordingly.

29. In so far as reliance placed by the appellant on the decision of this Court[16], is concerned, suffice it to say that same is of no assistance to the appellant in the facts of this case, as judgment-debtor in the said case had deposited the entire amount in the court due under the Award. Therefore, a two-Judge Bench of this Court held that deposit of entire amount in the court is nothing but payment to the credit of decree-holder. In the instant case, the appellant never deposited the whole amount. Similarly, the decision of this Court[17] has no application to the instant factual matrix as the said case was

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[16] **Himachal Pradesh Housing and Urban Development Authority & Another** (supra)
[17] **Concrete Products and Construction Company & Ors.** (supra)

decided on the basis of contractual terms barring claims for interest in respect of withheld amounts. In another decision relied upon by the appellant[18], the judgment-debtor had deposited the principal amount in court, and the decree-holder had requested that the deposit be retained as fixed deposit. Therefore, the aforesaid decision also has no application to the case in hand.

30. Disputes of the nature arising in the present case arise with sufficient frequency to necessitate a clearer and more uniform approach to the deposit, investment and adjustment of interest accruing on such deposits during the pendency of appeals.

31. Therefore, it is necessary to evolve a consistent normative principle by which: (a) decretal amounts are to be deposited in courts/tribunals pending disposal of an appeal and the method by which interest accrued thereon is to be accounted when the cases are finally decided, (b) the deposited amount secures interest of the decree-holder and also the judgment-debtor in terms of the mounting interest liability on the decreed amount, and (c) a standard principle by which such deposits

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[18] **M.P. Trading and Investment RAC Corp. Ltd., (supra).**

and interest accrued thereon get adjusted in the final settlement.

32. There is neither a statutory prescription nor a rule/regulation to be followed. At the same time, instead of evolving consistent principles, courts/tribunals have passed orders on a case-to-case basis leading to a great amount of disparity and inconsistency.

THE PROBLEM OF ASYMMETRY IN HANDLING OF DEPOSITS BY COURTS/TRIBUNALS

33. The consequences of the absence of a normative rule, coupled with inconsistency in the orders passed by courts/ tribunals, have led to asymmetry in: (a) the manner in which the financial interests of the parties involved in litigation are secured, including the nature of the protection afforded to the party seeking enforcement and the corresponding burden imposed upon the party challenging the decree or award, (b) the amount of the decretal sum which the court/tribunal requires a Judgment/Award-Debtor to deposit as a condition for stay of the decree, (c) the financial institutions or the banks in which the monies are to be deposited, (d) the criteria governing the selection of that institution and also the financial instrument in which the deposit is to be made and held, (e) the method by which the courts/tribunals administer, transfer and supervise the deposits into banks or other financial institutions, including the time taken between receipt of the deposit and its investment, tenure of the deposit, terms of withdrawal, renewal and reinvestment, (f) the rate of interest that the deposited money earns, the terms on which the rate of interest is finalized and (g) the adjustment of the interest earned on the deposit with the terms of decree or award.

34. This asymmetry, coupled with the varied orders passed by the courts, on a case-by-case basis in accordance with the facts and circumstances of each case, leaves several concerns unaddressed such as:

(i) The decree-holder, despite having obtained a favourable decree, is unable to use the decretal money, as the terms of withdrawal are entirely based on the discretion of the Court/Tribunal that ordered the deposit. A lack of standardization does not allow the decree-holder to plan his financial outlays in a clear manner, as the money which he is entitled to, is put into a deposit, out of his control.

This is also a loss of the opportunity cost of the alternative economic use of that money;

(ii) The Judgment-Debtor, upon making the deposit, parts with the use and control of the money. While it proves beneficial for securing a stay, the liability of maintaining this deposit will not enure to its benefit in the long run. A Judgment/Award-Debtor gets benefit of the deposit only when the amount is generally released to the Decree/Award-Holder, and not otherwise;

(iii) Differences in the administration of deposits by Courts/Tribunals result in similarly situated parties receiving materially different treatment depending on the forum in which their proceedings are pending;

(iv) Absence of a common and comprehensive legal framework, uncertainty concerning the administration of the deposit and its interest earnings, generate further litigation even after the underlying dispute has been finally decided; and

(v) The lack of common standards and consistent principles are resulting in repeated determinations of routine questions concerning investment, renewal, quantum, accounting and interest on deposits, thereby increasing the burden on Courts/Tribunals.

<u>PREVIOUS INSTANCES OF ATTEMPTS MADE TO STANDARDIZE THRESHOLDS FOR DEPOSITS TO BE MADE:</u>

35. In this very context, taking note of this situation, this Court in ***K.L. Suneja and Anr.*** *v.* ***Dr. (Mrs.) Manjeet Kaur Monga (D) Through Her LR and Anr.***[19] had made an important observation regarding having a uniform process of investing the money deposits made by litigants into the Registry of different Courts/Tribunals. Advocating that the money amounts deposited in the courts/tribunals be held in a financial institution or a bank, this Court observed that:

> "**35**. ….this Court is of the opinion that all courts and judicial forums should frame guidelines in cases where amounts are deposited with the office/registry of the court/tribunal. <u>Such amounts should mandatorily be deposited in a bank or some</u>

[19] **2023 INSC 89, para. 35.**

financial institution to ensure that no loss is caused in the future. Such guidelines should also cover situations where the concerned litigant merely files the instrument (Pay Order, Demand Draft, Banker's Cheque, etc.) without seeking any order, so as to avoid situations like the present case. These guidelines should be embodied in the form of appropriate rules, or regulations of each court, tribunal, commission, authority, agency, etc. exercising adjudicatory power."

(emphasis supplied)

36. The need for standardisation with respect to the amount to be deposited in the context of Section 36 of the 1996 Act was also recommended by the *Dr. T. K. Vishwanathan Committee*. An amendment to Section 36(3) was suggested by way of adding two new provisos in order to bring uniformity in the amount of money that the courts require a litigant to deposit while challenging an award and in the time when interest accrues on such deposits being made:

> "It is proposed to amend sub section (3) of section 36 to insert two provisos before the second proviso to provide: -
>
> (i) that the Court may grant stay of the arbitral award upon deposit of 50% of the principal amount awarded and the furnishing of security for the remaining sum awarded, with interest accrued up to the date of furnishing security.
> (ii) that in the event of deposit being made of such amount as directed by the Court, or in the event of such higher amount at the option of the party making the deposit, further interest on the amount so deposited shall cease only in the event of

unconditional withdrawal of the deposited amount by the other party."

(emphasis supplied)

CURRENT POSITION IN DIFFERENT HIGH COURTS

37. Despite these directions and recommendations, little effort has been made towards the standardization and uniformization of the approach by which the payments made into courts/tribunals are to be dealt with. For instance, the Delhi High Court (Original Side Rules), 2018 provides that the money deposited is to be held by the Registry in a fixed deposit[20]. While the Allahabad High Court Rules, 1952 provide for a similar method, wherein the deposit made by a litigant into the Court is to be held by the State Bank of India, no further method or manner of how the money is to be deposited or is to be put to use is codified[21].

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[20] **Chapter XXII - Court Deposit and Payments**

Rule 1 - Payment of Money - (a) The Registrar, and subject to his directions, any other officer of the Court shall receive all monies paid into the Court and shall pay out all monies duly ordered to be paid out of Court. All money received in Court shall be kept in fixed deposit for a reasonable period, subject to the orders which may be passed by the Court.

[21] **Part VIII, Chapter XXXVI - Deposit and Repayment of Money, Allahabad High Court Rules, 1952**

Rule 7 - Deposit to be sent to State Bank of India :- Sums deposited under heads (1) (3) and (4) of Rule 1 shall be entered at once in their respective receipt registers and sent to the State Bank of India daily along with the pass book and a duplicate copy of the entries made therein. The copy shall after comparison with the passbook be retained by the Bank and forwarded to the Treasury in due course, the passbook being returned to the Court.

38. In the case of the Bombay High Court, while any payment made into the Court is to be held by the Prothonotary and the Senior Master or the Sheriff, as the case may be, with no mention of any further investment of such monies[22], subsequent judicial pronouncements have made it a practice to direct the concerned Court Official to deposit such monies in a fixed deposit of a Nationalized Bank[23]. Similar judicial interventions were made by the Punjab and Haryana High Court, by which all the executing courts were directed to deposit the monies paid by litigants into fixed deposits of Nationalized Banks[24]. Even this Court uses the mechanism of investing monies deposited with it by litigants into government deposits of Nationalized Banks,

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[22] **Chapter XXII - Execution of Decrees and Orders, Bombay High Court (Original Side) Rules, 1980**

Rule 335 - Payment into Court when to be made:- Payment of money into Court in satisfaction of a decree or order shall be made to the Prothonotary and Senior Master, if warrants in execution have not been issued or if they have been issued but have not been lodged with the Sheriff, and the Prothonotary and Senior Master shall enter satisfaction protanto upon the decree or order. The Prothonotary and Senior Master shall then, at the request of the judgment-creditor, pay the money to him.

[23] **Daman Hospitality (P) Ltd.** v. **R & S Investment A.G. Wollerau, 2021 SCC OnLine Bom 7781, para. 1; Sunita Jain** v. **J.V. Construction & Developers, 2019 SCC OnLine Bom 6621, para. 4** and **Rekha Jayant Khandait** v. **State of Maharashtra, 2025 SCC OnLine Bom 2002, para 3.**

[24] **Pradeep Kumar Kuldeep Kumar** v. **Shiv Lal Raj Kumar & Commission Agent, 2026 SCC OnLine P&H 200035, para 29**. Relevant Observations are as follows:

"In addition to the aforesaid directions, this Court deems it necessary to direct the executing courts in the States of Punjab, Haryana and U.T., Chandigarh that the amounts received in execution proceedings be immediately deposited with nationalized bank instead of keeping the same idle. This will ensure that the parties are not at loss due to act of court. Money deposited in execution shall be deposited in interest bearing Fixed Deposits with a nationalized bank. Fixed Deposit should be transferred to the party entitled. Party concerned may withdraw the interest or continue with the fixed deposit.

as approved by the Chief Justice of India, which is decided through an open tender, with preference being given to the bank providing the highest rate of interest[25].

39. On the other hand, the Calcutta High Court follows a different method, whereby it is mandated that any sum of money deposited by a litigant in the Accountant General's Office shall be held with the Reserve Bank of India. A similar approach is taken by the Madras High Court, whereby any person paying money into the Court must obtain a challan from the Section Officer, enabling the person to deposit the money in the Suitors Funds Accounts of the Reserve Bank of India[26], which in turn is to be held in the form of a government security as mentioned in Appendix IV of the Rules[27]. The types of securities mentioned

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[25] **Order XIV, Supreme Court Rules, 2013**

Rule 1 - Unless otherwise ordered, all moneys directed to be paid into this Court to the credit of any suit, appeal or other proceeding, shall be paid into the UCO Bank, Supreme Court Compound, New Delhi (or any other Nationalised Bank(s), as may be directed by the Chief Justice from time to time) (hereinafter referred to as 'the Bank'), into an account entitled 'Government A/c-P-Deposits and Advances-II Deposits Not Bearing Int.-(C) other Deposits A/cs.-Deptl. and Judicial Deposits-Civil Deposits-Civil Court Deposits'.

[26] **Chapter XVI - Rules of The High Court At Calcutta (Original Side), 1914**

Rule 12 - Unless the Court or a Judge shall otherwise direct, every decree or order for payment of money or delivery of securities into Court shall direct such money to be paid, into the Reserve Bank of India at Calcutta, and securities to be endorsed and delivered over to the Financial Secretary to the Government of West Bengal and the Secretary and Treasurer for the time being of the State Bank of India (or such other officer or officers as shall, for the time being, have the custody of the funds of suitors), with the privity of the Accountant-General of the Court.

[27] **Order XXXI, Rules of the High Court, Madras, Original Side, Rules, 1994**

Rule 2 - Any person desirous of paying money into Court under a decree or order of Court shall present a lodgment schedule to the Section Officer of the Accounts Department of the High

in the appendix range from shares and debentures of State or Central Public Sector companies, securities issued for money by Central, State or Municipal Governments, fixed deposits in schedule, cooperative and nationalized banks, first mortgages of immovable property situated in India and financial institutions of Tamil Nadu such as the Transport Development Finance Corporation and the Housing Development Finance Corporation. As discussed above, a survey of these rules indicates that there exists a problem of asymmetry in the way in which any money, once deposited into the Court, is to be handled.

STANDARDIZATION OF COURT DEPOSIT ADMINISTRATION AS A FACET OF THE PRINCIPLE OF TIME VALUE OF MONEY

40. To understand why there is a requirement to standardise the manner in which money deposited in courts is to be handled, it is important to examine the concept of the time value of money.

Court for the issue of a challan to enable the party to make payment into the Reserve Bank of India, with a copy of the decree or order directing the payment of money into Court.

Rule 8 - The Registrar, Original Side shall make in a register to be kept by him causewise, hereinafter referred to as the money order book, an entry of every decree or order for transfer of money or effects from civil courts deposits to the Suitors' Fund Account in the Reserve Bank of India for investment in securities referred to in Appendix IV of these rules, or for delivery into or out of the Reserve Bank of India of any securities, or for sale of such securities, and shall before delivery of the copy of the decree or order to the person or persons entitled to the same or his or their advocate, mark “entered” at the foot of such copy and subscribe his name thereto.

Simply put, the time value of money is a proposition that a sum of money deposited today would be worth more than the same amount receivable at a future date, leading to an opportunity cost.[28] This opportunity cost faced by the depositor, along with the pressure of inflation and economic uncertainties, is remedied by the provision of a clear rate of interest on that amount of money deposited.[29] In order to preserve the economic integrity of any deposit and to provide interest, there must be clarity and uniformity in the method and manner in which the deposit itself is handled. Lack of standardisation in the process by which sums deposited into the court are to be handled undermines this essential underlying principle of the time value of money as well as the accrual of interest in a certain and clear manner.

41. This practice of standardisation must take place through a common platform wherein monies deposited in different Courts/Tribunals are pooled into one unified scheme and then accordingly put into the most beneficial financial instrument for

[28]Frank Fabozzi, *The Handbook on Fixed Income Securities* (McGraw Hill, 2005), Appendix A-Time Value of Money, p. 1443

[29]Ashwath Damodaran, "Time Value of Money", (Stern School of Business, New York University, 2000), https://pages.stern.nyu.edu/~adamodar/pdfiles/papers/pv.pdf

the litigating parties. This common platform will not only create certainty in the interest rates and increase the ease of accessibility for litigants but will also ease the burden on Courts/Tribunals regarding how this money deposited is to be invested and dealt with.

COMPARITIVE PERSPECTIVES: POSITION OF THE UNITED STATES AND CANADA

42. A common pooling system has been developed by the United States for the Federal Courts called the Court Registry Investment System (CRIS). As per Title 28 USC Section 2041 read with Rule 67 of the Federal Rules of Civil Procedure[30], any deposit of money made in pending or adjudicated cases in any court of the United States shall be deposited with the Treasurer of the United States or a designated depository. Under the same statute, as per Section 2045, this designated authority is the Director of the Administrative Office of the United States Courts who has been entrusted with the power to request the Treasury

[30] **Title 28 U.S.C. § 2041 Deposit of moneys in pending or adjudicated cases: All moneys paid into any court of the United States, or received by the officers thereof, <u>in any case pending or adjudicated in such court, shall be forthwith deposited with the Treasurer of the United States or a designated depositary</u>, in the name and to the credit of such court. This section shall not prevent the delivery of any such money to the rightful owners upon security, according to agreement of parties, under the direction of the court.**

Department to invest funds of litigants in public debt securities at a market-rate of interest suitable to the needs of these funds.[31] Pursuant to this statutory mandate, federal courts across the United States have been linked through the CRIS Platform, wherein any money deposited through the CRIS is automatically pooled into a single unified portal, which is used to purchase Government Account Series Securities through the Bureau of Public Debt, Department of the Treasury.[32] Further, an account is opened in the name of each litigant/depositor in the CRIS Liquidity Fund to ensure sufficient liquidity whenever a deposit is to be withdrawn or paid, and the Director of the Administrative Office also prepares a statement showing the principal amount deposited along with the interest earned, which is communicated to the concerned Court from where the

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[31] **Title 28 U.S.C. § 2045 Investment of Court Registry Funds**

(a)The Director of the Administrative Office of the United States Courts, or the Director's designee under subsection (b), may request the Secretary of the Treasury to invest funds received under section 2041 in public debt securities with maturities suitable to the needs of the funds, as determined by the Director or the Director's designee, and bearing interest at a rate determined by the Secretary of the Treasury, taking into consideration current market yields on outstanding marketable obligations of the United States of comparable maturity.

(b)The Director may designate the clerk of a court described in section 610 to exercise the authority conferred by subsection (a).

[32] **Director of Administrative Office of US Courts, Court Management, Financial Systems, and Statistical Reporting - Annual Report 2013, <https://www.uscourts.gov/data-news/reports/annual-reports/directors-annual-report/annual-report-2013/court-management-financial-systems-and-statistical-reporting-annual-report-2013>**

deposit originated.[33] Thus, a compact mechanism has been evolved across Courts of different levels creating a unified portal administered by both legal and financial personnel for the ease of investing these deposits in commercially proportionate, interest-bearing instruments.

43. A similar mechanism is found in Canada, wherein, as per Section 65(1) of the Canadian Supreme Court Act, 1985 read with Rules of the Supreme Court of Canada, 2002[34], any deposit made as security for obtaining a stay by an appellant shall be made into the Consolidated Revenue Fund by the Office of the Registrar, on which the interest rate is determined in accordance with the provisions of the Finance Administration Act, 1985.[35]

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[33]***Ibid.***

[34]**Section 65 - Stay of Execution, Supreme Court Act, 1985**

65 (1) On filing and serving the notice of appeal and depositing security as required by section 60, execution shall be stayed in the original cause, except that

(d) where the judgment appealed from directs the payment of money, either as a debt or for damages or costs, the execution of the judgment shall not be stayed until the appellant has given security to the satisfaction of the court appealed from, or of a judge thereof, that, if the judgment or any part thereof is affirmed, the appellant will pay the amount thereby directed to be paid, or the part thereof with respect to which the judgment is affirmed, if it is affirmed only with respect to part, and all damages awarded against the appellant on the appeal.

Rule 87, Rules of the Supreme Court of Canada SOR/2002-156

Rule 87 - Interest in accordance with the Financial Administration Act shall be paid on money deposited as security.

[35]**Office of Registrar of the Supreme Court of Canada - 2024-2025 Financial Statements, <https://www.scc-csc.ca/resources-ressources/reports-rapports/performance-rendement/2024-2025-statements-etats/>**

CONCLUSION AND DIRECTIONS

44. We have referred to the asymmetry that exists in our Country in the methods and manners by which deposits are directed to be made before Courts and Tribunals in appeals which are considered. The asymmetry is reflected in many aspects, and we have referred to some of them in paragraphs 30 to 39 of our judgment. We have also indicated the consequences flowing from such asymmetry and the compelling need to evolve a normative principle that would apply as a standard. We are of the opinion that it is necessary to evolve and formulate a suitable legislation on the subject.

45. We request the Law Commission of India to examine the issues which we have highlighted and, in the process, also consider the laws which other countries have enacted. It may be necessary for the Law Commission to consult the Reserve Bank of India, Ministry of Finance and also the Nodal Ministry of Law and Justice.

Relevant Extracts: "The ORSCC operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the ORSCC is deposited to the CRF, and all cash disbursements made by the ORSCC are paid from the CRF. The net cash provided by Government is the difference between all cash receipts and all cash disbursements, including transactions between departments of the Government."

46. The Registry is directed to send a copy of our judgment to the Chairman, Law Commission of India, Governor, Reserve Bank of India, and the Secretaries to the Ministries of Finance and Law and Justice.

47. However, in the facts and circumstances of the case, we do not find any ground to interfere with the impugned order. The same is hereby affirmed. With the aforesaid observations/directions, the appeal is disposed of.

..J.
[PAMIDIGHANTAM SRI NARASIMHA]

..J.
[ALOK ARADHE]

NEW DELHI;
SEPTEMBER 18, 2026.