



**THE TAMIL NADU Dr. AMBEDKAR LAW UNIVERSITY**



*Shri.A.K.Venkata Subramaniam  
Chair of Excellence on Consumer Law and Jurisprudence  
in association with*



*Ministry of Consumer Affairs, Food and Public Distribution  
Department of Consumer Affairs, Government of India*

*invites you to a*

**WORKSHOP**

*on*

**“Consumers in Real Estate Sector: Winners or Victims”**

*on*

**31<sup>st</sup> May, 2019**

**Venue**

**THE TAMIL NADU Dr.AMBEDKAR LAW UNIVERSITY,**  
"Poompozhi", No.5, Dr.D.G.S.Dinakaran Salai, Chennai-600028.

## **“Consumers in Real Estate: Winners or Victims”**

Owning a house is one of the top priorities for most people, regardless of their income levels. According to the 2011 census, there are 246.7 million households in India, 68% in rural areas and 32% in urban areas. 95% of the households in rural areas and 69% in urban areas live in owned houses. Overall, 213.5 million or around 86% of all households were living in owned houses. The average household in India is 4.9 as per 2011 census. More than 40% of the households have just one room or no exclusive room in their houses which means that in 40% of the houses, 5 people have to share a room in the name of a house.

One of the priorities of the Central and State Governments has been to promote housing with focus on housing for the poor. Since independence, a large number of schemes have been launched under different names providing fiscal incentives both on the demand and supply side. The “Housing for all” scheme was launched by the Central Government in 2015 with the objective of constructing 20 million houses for the urban poor by 2022. The Government of Tamil Nadu has been in the forefront in promoting housing especially for the economically weaker sections and low income categories. While the Government sector has been focusing on housing for the low income categories, the demand for housing by the middle and higher income groups has been by and large met by the private developers.

According to the Global Cities report that came out a few months ago, Chennai will be one of the fastest growing cities in the world between 2019 and 2035. Foreign investment in Real Estate are set to scale new heights, thanks to growing economic environment giving rise to fresh employment opportunities, ease of doing business, improving air connectivity with world cities as well as better inter-city connectivity. Chennai, along with Bengaluru, Hyderabad, Mumbai, Pune and Delhi NCR currently attract the lion's share of NRI investments. Chennai has been welcoming migrant populations from States like Bihar, Jharkhand, West Bengal and the North Eastern States who are coming here for better opportunities. With the influx from rural areas also growing steadily, do we have the infrastructure to cater to their needs?

From the trend of individual houses to small apartments and then to large townships with community living, the lifestyle of people in Chennai has changed in the last two decades. More and more vertical buildings are coming up changing the skyline of the city. Though the costs of construction have gone up, easier availability of credit for this segment at affordable rates of interest has encouraged many people in the middle and high income categories to go for apartments and villas.

### **Problems of consumers**

However, the consumers in the Real Estate sector are prone to a lot of vulnerabilities like unprecedented delays in construction and completion of projects, diversion of investor funds to other projects, failure to handover completed properties, arbitrary increase in the super built up area and consequent levy of additional charges, unreasonable one sided contracts, reluctance to pay even the minimal delay penalty by promoters, etc. Consumers have on occasions become victims of fraud or deception at the hands of unscrupulous real estate agents who take advantage of the lack of knowledge on part of consumers. They mislead home buyers regarding amenities and

give oral assurances regarding property documents which are often missing or incomplete. Lack of transparency with regards to price, construction quality, delivery schedule, ownership and litigations expose consumers in the real estate sector to a higher degree of risk than they are in other sectors of the economy.

## Problems of developers

The developers also face problems due to uncertainties in the availability of raw materials like sand, cement etc. which not only increase the cost of construction but also result in delay in completion of projects. Getting approvals and clearances from authorities also take time. They have to deal with corruption at different levels which is another inhibiting factor. The stamp duty in our State is also very high compared to other States.

## Regulation of Real Estate Sector

Though progressive, the real estate industry had not been well regulated. Provisions in the Indian Contract Act, 1872, Specific Relief Act, 1963, Indian Penal Code, 1860, Rent Control Act, 1948, along with Consumer Protection Act, 1986 (after 1993 Amendment Act) were regulating this sector to some extent. At the State level, the Tamil Nadu Town and Country Planning Act, 1971 and the Development Regulations framed there under had been used to regulate land use and development. A major development in recent years is the enactment of the Real Estate Regulation and Development Act (RERA), 2016. It is truly a revolutionary Act in the history of the Indian real estate sector. It was introduced to protect home buyers' interests and also to boost investment in the real estate sector. The Act aims to improve transparency and encourage fair practices in the sector. It also seeks to plug the glaring gaps between consumer interests and abuse of power by the real estate lobby by placing an effective regulatory mechanism for the orderly growth of the sector. It seeks to minimize consumer exploitation and diversion of funds, streamline usage of funds, ensure timely deliveries and enhance consumer confidence. The Real Estate Regulation Act (RERA) has made it safer for consumers to buy their dream houses.

**However, there are a few areas of concern which need to be addressed:**

- ❖ The Act only covers new projects and the projects where completion certificate is not issued on the date when the Act is notified, but not the existing projects i.e. the projects that are ongoing as on date or where partial completion certificate has been issued, completed immediately before the Act is notified, or stuck as on date for any reason;
- ❖ The Act doesn't make any provision for selling flats/apartments on carpet area basis, leaving a scope for promoters for manipulation;
- ❖ Under the Act, it is not mandatory to register projects, which are smaller than 500 square meters and 8 apartments. It could lead to the exclusion of a large number of small housing projects, which also have great share in the market.

Another legislation which is bound to bring cheer to the consumer is the Tamil Nadu Regulation of Rights and Responsibilities of Landlords and Tenants Act, 2017, which has made the registration of rent agreements mandatory in the State. This Act modeled from the Centre's Tenancy Act is expected to bring about a balance between the rights and responsibilities of both the owner and the tenant.

## Issues to be discussed

There are many questions which arise in the context of what has been stated here: (i) how effective are the laws in protecting the rights of consumers in real estate (ii) will RERA be able to strike a balance between consumers' interests and developers' ambitions (iii) when will "Housing for all" become a reality not merely in terms of persons owning a house but also in terms of quality of living (iv) can the provision of infrastructure facilities like water supply, sewerage, power, roads and communication cope with growing population and increasing house stock especially in urban areas (v) will the rent courts and tribunals set up under the Act of 2017 ensure that the grievances of tenants and landlords are redressed quickly and (vi) can investment in housing be an attractive proposition for those who have the capacity to save?

To discuss the above and related issues, the Chair of Excellence on Consumer Law and Jurisprudence of the Tamil Nadu Dr.Ambedkar Law University, Chennai proposes to conduct a one day Workshop on "Consumers in Real Estate Sector: Winners or Victims" on Friday 31st May 2019, from 2.30 p.m. at the University's old campus at "Poompozhil", No.5, Dr. D.G.S. Dinakaran Salai, Chennai – 600 028. Policy makers, experts in the field, academicians, consumer activists and students are expected to participate.

**There is no registration fee and all are invited to attend.**

### *Organizing Committee*

**Thiru. R.SANTHANAM**

Honorary Director

**Dr. RANJIT OOMMEN ABRAHAM**

Project Director

**Dr. R.SRINIVASAN**

Co-ordinator & Project Team Leader

**Dr. R.HARITHA DEVI**

Co-ordinator & Project Manager-I

**Thiru. R.KARUPPASAMY**

Co-ordinator & Project Manager-II

**Thiru. V.ANANDHA KUMAR**

Research Associate

Mobile: +91 86955 54100

*Chair of Excellence on Consumer Law and Jurisprudence,  
The Tamil Nadu Dr.Ambedkar Law University,  
Chennai - 600 028.*

*email: [consumerchair@gmail.com](mailto:consumerchair@gmail.com)*

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