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SUPREME COURT

Supreme Court Clarifies Limits on Earnest Money Forfeiture in Contracts

Sheikh Rayees • February 4, 2025

PUBLISHED REPORT

The Supreme Court has ruled that forfeiting earnest money in a contract is permissible, provided it is not excessive to the extent of constituting a penalty under Section 74 of the Indian Contract Act, 1872. The case involved a dispute between flat purchasers and a builder over the forfeiture of 20% of the basic sale price (BSP) after the purchasers canceled their booking. While the builder defended the forfeiture based...

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