



* **IN THE HIGH COURT OF DELHI AT NEW DELHI**

% Reserved on : 13.01.2026
Pronounced on : 09.04.2026
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+ **FAO 568/2016 & CM APPL. 45479/2016**

FARZANA KHANAppellant
Through: Mr. Mukesh Kumar, Advocate.

versus

SHRI RAM TRANSPORT FINANCE CO LTD AND ANR
.....Respondent
Through: Nemo

**CORAM:
HON'BLE MR. JUSTICE MANOJ KUMAR OHRI**

JUDGMENT

1. The present appeal under Section 37 of the Arbitration and Conciliation Act, 1996 (hereinafter the "Act") has been preferred against the order dated 13.10.2016 passed by the learned ADJ-01, Central District, *Tis Hazari* Courts, in ARB-84179/16.

2. *Vide* the impugned order, the objections filed by the appellant under Section 34 of the Act, assailing the arbitral award dated 15.07.2014 (hereinafter the "impugned award") passed by the learned sole arbitrator, i.e., respondent no. 2 herein, were dismissed.



The impugned award has directed the appellant to pay, *inter alia*, Rs.5,71,000/- plus interest @ 18% per annum on the said sum from 19.11.2013 till payment to respondent no. 1.

3. None appears for the respondents. A perusal of the proceedings shows that respondent no. 1 could not be served despite various efforts and consequently, the appellant's application seeking substituted service came to be allowed on 24.08.2018. The order dated 15.01.2019 records that proof of service was duly filed. In view of the continued non-appearance despite service, respondent no. 1 was proceeded *ex-parte* on 28.03.2023.

4. Briefly, the facts of the case as culled out from the record are that the appellant and her husband had obtained a loan of Rs.2,90,000/- from respondent no. 1 on 01.07.2011 for purchase of a vehicle, repayable in 28 monthly instalments, with the total payable amount including interest being Rs.3,97,995/-. After paying a few instalments, the appellant defaulted. Consequently, respondent no. 1 invoked arbitration, wherein the impugned award came to be passed. Aggrieved thereby, the appellant preferred a petition under Section 34 of the Act, which was dismissed *vide* the impugned order.

5. In dismissing the Section 34 petition, the Court dealing with the objections held the appellant's plea of ignorance to be *per se* false. The Court found that the appellant's own admissions regarding the loan, subsequent default, and the specific proposal made during the arbitral proceedings to settle the debt in 10 instalments confirmed her active participation and prior knowledge of the dispute. Concluding that the objections raised by the appellant had no merit, the Court refused to interfere with the impugned award.



6. Learned counsel for the appellant assails the impugned order, contending that the Court failed to appreciate that the impugned award was passed without affording the appellant an opportunity of being heard. It is contended that as the appellant was ready to repay the remaining instalments, no dispute can be said to have arisen. It is also submitted that the impugned award directs payment of an unreasonable amount of interest.

7. The primary issues for consideration are: first, whether the arbitral proceedings suffered from procedural impropriety to the prejudice of the appellant; and second, whether the 18% per annum interest awarded on Rs.5,71,000/- from 19.11.2013 until payment is unreasonable, and if so, whether the impugned order or award is liable to be set aside on that ground.

8. At the outset, it is pertinent to note that the relationship between the parties was governed by the Loan-cum-Hypothecation Agreement dated 01.07.2011 (Ex. CW-1/2), which bears the signatures of the appellant. Clause 15 of the said agreement specifies arbitration as the mode for resolution of disputes. It is the appellant's own case that she obtained the loan and paid a few instalments pursuant to this agreement, before defaulting on the remaining amount.

9. Insofar as the first issue is concerned, the impugned order records that notices dated 28.11.2013, relating to the submission of the statement of claim and defence, were sent via registered/speed post to the appellant and her husband at their last known addresses. Following this, the appellant's son, *Sh. Ashu Khan*, appeared before the learned arbitrator on 18.12.2013 and signed the border of the order sheet. Subsequently, on 06.02.2014, the appellant's



daughter, *Smt. Nazia Khan*, appeared along with counsel, as evidenced by their signatures recorded in the arbitral proceedings. It is significant that the underlying Section 34 petition was preferred through the very same counsel whose presence was recorded before the arbitrator as early as 06.02.2014. As noted in the impugned order, the appellant initially sent her son, and later her daughter with counsel, before the learned arbitrator, only to later feign ignorance of the proceedings.

10. This plea of ignorance is further belied by the appellant's own admissions in her objections, wherein she admitted to paying only a few instalments and being in default of the remainder. Crucially, the impugned order notes an averment by the appellant that she had, through her daughter, submitted before the learned arbitrator that she was ready to pay the entire principal amount in 10 instalments. This specific proposal to settle the outstanding debt during the hearings confirms her active participation in the arbitral process and knowledge of the dispute. Having chosen to refrain from joining the proceedings on 24.04.2014 and subsequent dates despite having entered appearance earlier, the appellant cannot now claim a violation of principles of natural justice. The plea of non-awareness of the proceedings cannot be sustained. On the touchstone of Section 37 of the Act, the challenge to the finding rendered in the impugned order on this aspect is meritless and rejected.

11. Before evaluating the second contention, it is necessary to refer to Section 31(7) of the Act, as it existed at the relevant time, i.e., prior to the enactment of the Arbitration and Conciliation (Amendment) Act, 2015:



“(7)(a) Unless otherwise agreed by the parties, where and in so far as an arbitral award is for the payment of money, the arbitral tribunal may include in the sum for which the award is made interest, at such rate as it deems reasonable, on the whole or any part of the money, for the whole or any part of the period between the date on which the cause of action arose and the date on which the award is made.

(b) A sum directed to be paid by an arbitral award shall, unless the award otherwise directs, carry interest at the rate of eighteen per centum per annum from the date of the award to the date of payment.”

12. In the present case, the learned arbitrator awarded interest @ 18% per annum from 19.11.2013 until realization. This date, which follows the issuance of the demand notice, marks the commencement of the period for which respondent no. 1 had claimed interest. Under Section 31(7)(a), an arbitrator has wide discretion to determine the rate of interest for the period prior to the award. As for the post-award period, the Supreme Court has clarified in Larsen Air Conditioning and Refrigeration Company Vs. Union of India¹ that, for arbitrations governed by the unamended Section 31(7)(b) of the Act, the statutory rate of 18% per annum is the default standard. In the said case, the Supreme Court set aside a High Court order that had interfered with and reduced the 18% interest rate awarded by the arbitrator. The relevant extract is reproduced hereunder:-

“13. In the present case, given that the arbitration commenced in 1997 i.e. after the 1996 Act came into force on 22-8-1996, the arbitrator, and the award passed by them, would be subject to this statute. Under the enactment i.e. Section 31(7), the statutory rate of interest itself is contemplated at 18% p.a. Of course, this is in the event the award does not contain any direction towards the rate of interest. Therefore, there is little to no reason, for the High Court to have interfered with the arbitrator’s finding on interest accrued and payable. ...”

¹ (2023) 15 SCC 472



13. The arbitrator's power to grant post-award interest is a statutory discretion intended to ensure the award-holder is compensated for the delay in payment. This power is not strictly fettered by the terms of the contract but is guided by what the arbitrator deems reasonable in the facts of the case. The learned arbitrator exercised this discretion to award interest @ 18% per annum, which is significantly lower than the 36% per annum claimed by respondent no. 1. In the considered opinion of this Court, the awarded rate is neither unconscionable nor perverse. Rather, it reflects a balanced exercise of discretion that aligns with the statutory scheme and the legislative intent to deter award-debtors from delaying the fruits of the award.

14. Given the narrow scope of appellate scrutiny permissible under Section 37 of the Act, this Court finds no ground to interfere with the impugned order or the impugned award. Consequently, the present appeal is dismissed.

15. The present appeal, along with the pending application, is disposed of in the above terms.

(MANOJ KUMAR OHRI)
JUDGE

APRIL 09, 2026

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