

ABATI BEZBARUAH

A

v.

DY. DIRECTOR GENERAL GEOLOGICAL SURVEY OF  
INDIA AND ANR.

FEBRUARY 14, 2003

B

[S.B. SINHA AND DR. AR. LAKSHMANAN, JJ.]

*Motor Vehicles Act, 1988; Sections 166, 168 and 171:*

*Award of compensation—Quantum of compensation/Rate of Interest—  
Discretion of the Tribunal/Courts—Held, compensation should be just and  
fair as to the facts and circumstances of the case—Guidelines/Formula as per  
provision of law should be followed in computing compensation—Though  
there exists no rule in awarding interest, it is solely on the discretion of the  
Tribunal/High Courts—However, bank rate prevailing at the relevant time  
would normally be taken into consideration in awarding interest.*

C

D

Husband of the claimant-appellant, was riding a scooter which collided with a jeep and he died. Motor Accident Claims Tribunal awarded certain amount of compensation of Rs. 2,50,200/- to the claimant and also directed payment thereof with interest @ 6% per annum. On appeal, High Court enhanced the amount of compensation and also rate of interest. Dissatisfied with the modified Award, the claimant preferred the present appeal.

E

It was contended for the appellant that High Court erred in awarding rate of interest on lower side than the prevailing rate of interest at the relevant time; and that quantum of compensation should be enhanced by applying multiplier of 16 instead of 15 keeping into consideration the age of the victim at the relevant time.

F

On behalf of the respondent, it was submitted that in the light of earlier decisions of the Supreme Court, multiplier of 10 should be appropriate in calculating compensation and rate of interest @ 9% per annum would be reasonable/fair in the facts and circumstances of the case.

G

Partly allowing the appeal, the Court

H

**A HELD: (Per Sinha, J.) :**

**B** 1. In the instant case, the victim at the relevant time was 40 years of age. The Tribunal and the High Court cannot be said to have committed an error in applying the multiplier of 15. Having regard to the prospects and advancement of the future career of the deceased, a higher estimate of the yearly income of Rs. 45,000 would not be out of place. From the said amount, one-third of the gross income towards personal living expenses should be deducted. The amount so calculated viz. Rs. 30,000 should, thus be determined as the loss of dependency. The said sum should then be capitalized by applying the multiplier of 15 which comes to Rs. 4,50,000. [1233-F, H; 1234-A]

**C** 2.1. Rate of interest on compensation/Award would depend upon the facts and circumstances of each case. Award of interest would normally depend upon the bank rate prevailing at the relevant time. The amount of interest should, having regard to the facts and circumstances of the case, be paid at the rate of 9% per annum. [1232-H; 1233-A, C]

*Kaushnuma Begum (Smt.) and Ors. v. New India Assurance Co. Ltd. and Ors.*, [2001] 2 SCC 9 and *United India Insurance Co. Ltd. v. Patricia Jean Mahajan and Ors.*, [2002] 6 SCC 281, relied on.

**E** *R.L. Gupta and Ors. v. Jupitor General Insurance Company and Ors.*, [1990] 1 SCC 356, referred to.

**F** 2.2. It is a well settled principle of law that the payment of compensation on the basis of structured formula as provided for under the Second Schedule should not ordinarily be deviated from. Furthermore, the amount of compensation should be just and fair in the facts and circumstances of each case. [1233-E]

Per Dr. Lakshmanan, J. (Supplementing):

**G** 1.1. The rate of interest must be just and reasonable depending upon the facts and circumstances of each case and taking all relevant factors including inflation, change of economy, policy being adopted by the Reserve Bank of India from time to time, how long the case is pending, permanent injuries suffered by the victim, enormity of suffering, loss of future income, loss of enjoyment of life etc., into consideration. [1234-C-E]

**H** 1.2. No rate of interest is fixed under Section 171 of the Motor

Vehicles Act. Varying rates of interest are being awarded by Tribunals, High Courts and the Supreme Court. Interest can be granted even if claimant does not specifically plead for the same as it is consequential in the eye of law. Interest is compensation for forbearance or detention of money and that interest being awarded to a party only being kept him out of the money which ought to have been paid to him. No principle could be deduced nor any rate of interest can be fixed to have a general application in motor accident claim cases having regard to nature of provision under Section 171 giving discretion to Tribunal in such matter. There cannot be any hard and fast rule in awarding interest and the award of interest is solely on the discretion of the Tribunal or the High Court.

[1234-E-G]

CIVIL APPELLATE JURISDICTION : Civil Appeal No. 5193 of 1997.

From the Judgment and Order dated 10.4.1996 of the Gauhati High Court at Assam in M.A. (F) No. 204 of 1994.

A.P. Mohanty for the Appellants.

Ashok Bhan, Dr. Sita Ram Sharma, Satbir Pillania, D.S. Mahra and Arvind Kumar Sharma (NP), for the Respondent.

The Judgments of the Court were delivered by

S.B. SINHA, J. The claimant is in appeal before us being aggrieved by and dissatisfied with the judgment and award dated 10th April, 1996 passed by the High Court of Gauhati in M.A. (F) No. 208 of 1994 modifying an award passed by the Motor Accidents Claims Tribunal (hereinafter referred to as "the Tribunal"), Shillong in M.A.C. Case No. 20 of 1991.

The basic fact of the matter is not in dispute. The husband of the appellant herein late (Dr.) Ramani Kanta Bezbaruah met with a fatal accident on 13th November, 1990 while he was proceeding on a scooter whence a jeep bearing registration No. MLK-5548 dashed against it. The claimant claimed compensation for a sum of Rs. 27,46,000 before the Motor Accidents Claims Tribunal. The Tribunal, however, having regard to the deceased's salary which at the relevant point of time was Rs. 3500 per month, calculated the monthly dependency at Rs. 1700. The Tribunal calculated the life expectancy of the deceased to be 65 years, and the age of the deceased at the time of accident being 40 years, applied 15 as multiplier. However, from the

A said amount, 20% was directed to be deducted towards uncertainty of life as well as 10% for getting the lump sum amount and thus on that basis the amount of compensation which would have otherwise come to Rs. 3.06.000 was reduced to Rs. 2,14,200. A sum of Rs. 3,000 was, however, awarded as expenses incurred by the family for the treatment of the deceased, and travelling expenses etc. A further sum of Rs. 3,000 was awarded by way of loss of consortium, Rs. 6000 towards the expenses of cremation, Rs. 3,000 for loss of love and affection. On the said basis a total compensation of Rs. 2,50,200 was awarded. It was further directed that the awarded amount be paid to the claimants with interest at the rate of 6% per annum. The High Court in appeal, however, held that having regard to the income of the deceased, which was Rs. 3500 per month, the loss of dependency should be enhanced to the tune of Rs. 2,000 per month. So far as rate of interest is concerned, the same was also directed to be enhanced to 8% per annum from the date of filing of the claim till the date of the receipt of the awarded amount.

D Mr. A.P. Mohanty, the learned counsel appearing on behalf of the appellant raised two contentions in support of this appeal. The learned counsel would firstly submit that the rate of interest prevailing at the relevant time being 10%, the High Court erred in granting interest at the rate of 8% per annum. The learned counsel in support of the said contentions relied upon E *R.L. Gupta and Ors. v. Jupitor General Insurance Company and Ors.*, [1990] 1 SCC 356, *Kaushmuma Begum (Smt.) and Ors. v. New India Assurance Co. Ltd. and Ors.*, [2001] 2 SCC 9 and *United India Insurance Co. Ltd. and Ors. v. Patricia Jean Mahajan and Ors.*, [2002] 6 SCC 281.

F The learned counsel would next contend as the appellant was earning about Rs. 3500 per month, i.e. Rs. 42,000 per year, upon deducting one third thereof from the said amount, a sum of Rs. 28,000 per annum should have been held to the loss of dependency and in that view of the matter the amount of compensation should have been calculated by applying multiplier of 16 as the age of the deceased at the time of the accident was 40 years.

G Mr. Ashok Bhan, the learned counsel appearing on behalf of the respondents, on the other hand, would submit that in a case of this nature awarding of interest at the rate of 9% would be fair having regard to the decision of this Court in *United India Insurance Co. Ltd.* (supra). The learned counsel, would further draw our attention to the fact that multiplier of 10 was applied in that case.

H

The question as to what should be rate of interest, in the opinion of this Court, would depend upon the facts and circumstances of each case. Award of interest would normally depend upon the bank rate prevailing at the relevant time. A

In *R.L. Gupta* (supra), interest at the rate of 12% was awarded. However, no reason has been assigned in support thereof. B

In *Kaushnuma Begum* (supra) the amount of compensation was directed to be paid with interest at the rate of 9 per cent per annum from the date of claim. The same rate of interest was awarded, as noticed hereinbefore, in the case of *United India Insurance Co. Ltd.* (supra). C

We are of the opinion that the amount of interest should, having regard to the facts and circumstances of the case, be paid at the rate of 9% per annum.

The structured formula base has been set out in the Second Schedule to the Motor Vehicles Act. D

It is now a well settled principle of law that the payment of compensation on the basis of structured formula as provided for under the Second Schedule should not ordinarily be deviated from. Section 168 of the Motor Vehicles Act lays down the guidelines for determination of the amount of compensation in terms of Section 166 thereof. Deviation of the structured formula, however, as has been held by this Court, may be resorted to in exceptional cases. Furthermore, the amount of compensation should be just and fair in the facts and circumstances of each case. E

The victim at the relevant time was 40 years of age. The Tribunal and the High Court, therefore, cannot be said to have committed an error in applying the multiplier of 15. The only question which is required to be considered now is as to how the multiplicand should be arrived at. F

The deceased at the time of accident was a young man. He had a stable job. A reasonably liberal view of his future prospects should have, therefore, been taken into consideration by the High Court as well as by the Tribunal. G

Having regard to the prospects and advancement of the future career, a higher estimate of the yearly income at Rs. 45,000 would not be out of place. From the said amount, one-third of the gross income towards personal living expenses should be deducted. The amount of Rs. 30,000 should, thus H

A be determined as the loss of dependency. The said sum should be capitalized by applying the multiplier of 15. which comes to Rs. 4,50,000/-.

This appeal is allowed in part to the extent mentioned hereinbefore.

B In the facts and circumstances of the case, there shall be no order as to costs.

AR. LAKSHMANAN, J. While concurring with the conclusion arrived at by my esteemed Brother, I would like to add the following few lines.

C Three decisions were cited before us by Mr. A.P. Mohanty, learned counsel appearing on behalf of the appellant, in support of his contentions. No ratio has been laid down in any of the decisions in regard to the rate of interest and the rate of interest was awarded on the amount of compensation as a matter of judicial discretion. The rate of interest must be just and reasonable depending upon the facts and circumstances of each case and taking all relevant factors including inflation, change of economy, policy D being adopted by the Reserve Bank of India from time to time, how long the case is pending, permanent injuries suffered by the victim, enormity of suffering, loss of future income, loss of enjoyment of life, etc., into consideration. No rate of interest is fixed under Section 171 of the Motor Vehicles Act, 1988. Varying rates of interest are being awarded by Tribunals, E High Courts and the Supreme Court. Interest can be granted even if claimant does not specifically plead for the same as it is consequential in the eye of law. Interest is compensation for forbearance or detention of money and that interest being awarded to a party only for being kept him out of the money which ought to have been paid to him. No principle could be deduced nor any rate of interest can be fixed to have a general application in motor F accident claim cases having regard to nature of provision under Section 171 giving discretion to Tribunal in such matter. In other matters, awarding of interest depends upon the statutory provisions, mercantile usage and doctrine of equity. Neither Section 34 CPC nor Section 4-A (3) of the Workmen's Compensation Act are applicable in the matter of fixing rate of interest in a G claim under the Motor Vehicles Act. The courts have awarded the interest at different rates depending upon the facts and circumstances of each case. Therefore, in my opinion, there cannot be any hard and fast rule in awarding interest and the award of interest is solely on the discretion of the Tribunal or the High Court as indicated above.

H S.K.S.

Appeal Partly allowed.