

U.P. Real Estate Regulatory Authority

Rajya Niyojan Sansthan (Naveen Bhawan),
Kalakanker House, Old Hyderabad, Lucknow-226007

Letter No.-2011 /UP-RERA/2019-20

Date: 03 April, 2019

To,

Director General,
Directorate of Institutional Finance,
Government of Uttar Pradesh,
Lucknow.

Subject : Section-4 (2) (I) (D) of Real Estate (Regulation and Development) Act, 2016 compliance with.

Sir,

With reference to the above stated subject, I am directed to invite your kind attention to the following:

1- It has been provided in **Section-4 (2) (I) (D)** of Real Estate (Regulation and Development) Act, 2016 that "Seventy percent of the amounts realised for the real estate project from the allottees, from time to time, shall be deposited in a separate account to be maintained in a scheduled bank to cover the cost of construction and the land cost and shall be used only for that purpose: Provided that the promoter shall withdraw the amounts from the separate account, to cover the cost of the project, in proportion to the percentage of completion of the project:

Provided further that the amounts from the separate account shall be withdrawn by the promoter after it is certified by an engineer, an architect and a chartered accountant in practice, that the withdrawal is in proportion to the percentage of completion of the project."

2- It is obligatory both for the promoter and the bank to ensure strict compliance of the above stated provisions of the RERA Act.

3- It has come to the notice of U.P. RERA that some of the promoters are not complying with the statutory provisions of the law and withdrawing the amount from the designated account without submitting the requisite certificate with the bank or sometimes withdrawing amount in excess of the work done in the project.

4- It has also come to the notice of U.P. RERA that promoters require the allottees to deposit the amount in a collection account with the bank from which the bank is supposed to transfer 70% of the money deposited by the allottees into the separate/designated account (escrow account) on the standing instructions of the promoter and as per the provisions of RERA Act, however, some of the banks, especially the ones which have sanctioned loan to the promoter, arbitrarily adjust the entire amount deposited in the account against the outstanding loan of the promoter instead of transferring 70% of the money collected to the escrow account for the purposes of construction and payment of the cost of land of the project.

This is serious lapse on part of the bankers and violation of the mandatory provisions of the Act.

I am, therefore, directed to request you to kindly issue necessary instructions to all the Zonal Heads/Chief General Managers/General Managers/other concerned officers of the bank to strictly comply with the provisions of Section-4 (2) (I) (D) of Real Estate (Regulation and Development) Act, 2016.

A line in confirmation will be highly appreciated.

Yours faithfully,


(Abrar Ahmed)

Secretary

 U.P. Real Estate Regulatory Authority

Copy:-

Principal Secretary, Institutional Finance, Government of Uttar Pradesh, Lucknow.


(Abrar Ahmed)

Secretary

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