



The Law of Damduppat

1. The rule of Damduppat is a branch of the Hindu Law of debts. The application of the said rule requires that the debtor must be a Hindu.
2. According to this rule the amount of interest recoverable at any one time cannot exceed the principle.

Illustration

A lends Rs 1,000 to B at an interest of 15 per cent per annum. A allows the interest to run into arrears, until it amounts to Rs 1,200, i.e., until it exceeds the principal (Rs 1,000). A then sues B to recover Rs 2,200, i.e., Rs 1,000 for principal and Rs 1,200 for interest. A is not entitled to more than Rs 1,000 for interest, as that is the amount of the principal. However, if B pays A Rs 400 for interest before suit, and A then sues B to recover Rs 1,800, i.e., Rs 1,000, for principal and Rs 800 for interest, A is entitled to Rs 800 for interest, for it does not exceed the principal Rs 1,000 though he will thereby be getting Rs 1,200 in all for interest. The reason is that the payment of Rs 400 and the payment of Rs 800 would be payments at different times, and all that the rule of damdupat says, is that a creditor is not entitled at any one time to recover interest exceeding the amount of the principal. The rule of damdupat does not say that a creditor shall not in any case be entitled to interest exceeding the principal. The result is that part payments of interest made before a suit cannot be added to the amount of interest claimed in the suit, so as to attract the application of the rule of damdupat.



3. Where a loan is repayable by instalments and some of the instalments have been paid or ever where it is not payable by instalments but a part thereof has been paid the principal for the purpose of damduppat is the balance of principle remaining due, when the interest claimed in the suit accrued.

Illustration

A lends Rs 200 to B at interest at the rate of 10 per cent per annum. The loan is payable by four instalments of Rs 50 each. B pays the first three instalments and all interest due thereon. A then sues B to recover the last instalment of Rs 50 and interest thereon amounting to Rs 65. A is not entitled to more than Rs 50 for interest, that being the amount of principal remaining due when the interest accrued. It does not matter that the original principal was Rs 200.

4. The rule of damduppat does not forbid the conversion by a subsequent agreement between the debtor and creditor of the interest in arrears into capital.
5. The rule of damduppat ceases to operate once a suit is filed in the court. The court is bound to apply the rule of damduppat up to the date of the suit only. Consequently, the rule of damduppat does not apply in execution proceedings.

[Source: Mulla Hindu Law – 23rd Edition by Satyajeet A. Desai]