

INTERNATIONAL JOURNAL OF LAW
MANAGEMENT & HUMANITIES
[ISSN 2581-5369]

Volume 8 | Issue 3
2025

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Real Estate Frauds in India: An Analysis

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ABSTRACT

Scammers and fraudsters are getting more and more common as the real estate industry expands. Real estate is the most precious asset, so investors invest in it in order to have a more secure future. However, it has significant risk, expensive pricing, and only a little security. It is insecure and an easy target for scammers because of its lack of security. Misrepresentation, Escrow wire fraud, and questionable mortgages are the three most typical scams done by the realtors. Misrepresentation is the deliberate dissemination of false information. Investors that rush into a choice, believe the seller's falsified claims quickly, or fall for the con artist's phoney profiles are most likely to be taken advantage of. Lack of sufficient investigation contributes to scams, and investing without inspection may raise your risk of being a victim. Scammers spoof investors by using false advertisements, phishing emails, and phone calls. The growth of real estate sector has led to the growth in Indian economy. Despite this fact, real estate has so many issues and it faces number of challenges. There are several loopholes in the rules and regulations made in this regard. Due to absence of strict adherence to legislations several risks are involved in the real estate sector which amounts to serious fraud faced by the consumers. This paper will deal with the issues involved in real estate sector. The paper will focus upon various legislations available for real estate sector in India.

Keywords: Real Estate, legislations, fraud, scam, issues, economic growth.

I. INTRODUCTION

Indian real estate has experienced numerous problems due to the lack of available land for construction and obsolete building techniques. It is now imperative that the government offer quick fixes to the issues homebuyers and real estate developers are currently experiencing.

One of the most important and well-known sectors in India is real estate, which contributes 13% of the GDP of the nation. By the end of 2030, the real estate market was anticipated to be worth \$1 trillion. However, the COVID-19 pandemic's devastation destroyed the sector's overall revenue and market share. Despite this, the economy is improving because to the most aggressive immunisation campaigns. Businesses are rebounding and picking up speed as before, and the pandemic's troubles will gradually start to fade. But in order for the sector to

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become more effective and growth-oriented, there are several problems that the government needs to investigate and offer remedies for.

II. ISSUES IN THE REAL ESTATE SECTOR ARE

Possession of property: Due to a convoluted and corrupt regulatory system and numerous legal challenges (land issues, sanctions of project approvals, etc.), real estate projects in India take a very lengthy time to finish. As a result, clients' possessions are delivered late. As a result, the consumer is required to make both rent and EMI payments. Numerous deceptive commercials also have an impact on customers. Customers that fail to perform on their end of the bargain must pay the builders exorbitant interest rates.

Unavailability of land: The government should preserve significant portions of underutilised and unoccupied land parcels through land restrictions, readjustment, and land pooling programmes. By doing so, it will help the real estate sector's condition and provide some alleviation to the developers who have been financially wronged. The Land Acquisition Resettlement and Rehabilitation Act of 2013 has to be changed or revised immediately in light of this.²

Long pending infrastructure projects: The Indian real estate market has a large number of upcoming projects, ranging from housing colonies in the private sector to projects in the public sector. There is a delay in the completion of certain projects, and the cause of the delay is that either not enough money is allocated for the project or that there is not enough technology to finish the projects on schedule. As there is no alternative for single-window clearance, the lengthy approval procedure for projects in India typically leads to delay and expense escalations. This is a major concern for the Indian real estate industry.³

Overpopulation: By 2050, India is expected to have the largest population. Urban areas and Tier 1 cities are home to more than 50% of the population. India would need to build numerous additional cities and metropolitan areas in order to accommodate the population and supply its citizens with the necessary resources.⁴

Outdated building techniques: Since the Indian real estate industry still uses outdated construction methods, it relies excessively on labor-intensive human labour for construction tasks. While modern construction methods use high-quality building materials like concrete

² Greenscapeadmin (2021) *Indian real estate sector and the current challenges*, Greenscape. Available at: <https://www.greenscapedgroup.co.in/blog/indian-real-estate-sector-and-the-current-challenges/> (Accessed: 10 June 2025).

³ id

⁴ id

and iron slabs. Because of this, it is crucial for developers today to rely on cutting-edge construction methods that will enable them to speed up project delivery by cutting down on labour costs and construction time. People buy real estate as investments in the current system to ensure a secure future. Property is one of the best investment options since it provides the highest profits over an extended period of time. However, as more individuals become interested in purchasing real estate, the more they become victims of real estate fraud. Property purchases made as investments are made after doing a market research. Most individuals fall for this property buying scam, losing their money in the process. One must carefully study market analysis and other concepts in order to prevent these frauds and scams. Let's look at the most typical types of property fraud and how to prevent them.

III. REAL ESTATE SCAMS IN INDIA

Over the past few years, India's real estate industry has exploded. But because there are no laws against property fraud, real estate fraud has increased. One of the most important purchases anyone ever makes is real estate. Sadly, this makes real estate a popular target for con artists. Being extra cautious about scams is especially important if you are buying or selling real estate. The following are a few of the typical real estate scams that continue to occur.

Fake Property Registration: Both property developers and sellers are subject to fake property registrations. In this kind of real estate fraud, the con artist will fabricate property title documents and claim ownership of the property. There have been multiple instances where con artists copied title deeds for abandoned or contested properties and sold them to purchasers. Scammers typically target estates that have been empty for a while or whose owners have left the country. They strive to sell and persuade easy buyers after producing the papers. When the deception is discovered, the con artist and the money have already vanished. False or fly-by-night developers or builders may interpret title fraud in another way. In this case, the builder sells the non-owned building. To draw quick buyers, they will make promises about the property's high returns and provide giveaways. Due of the enormous potential returns, the buyers neglected to double-check all the paperwork and fell for a fraud.

Bait and Switch: Bait and switch is a dishonest sales technique in which customers are drawn in by an advertisement that promises a fair, affordable benefit. They are persuaded to invest in a property that is significantly more expensive than what is depicted in the advertisement. Most of the objections related to this project are focused on houses listed for rent or sale. Scams of this nature have been prevalent online for quite some time. To avoid this phoney and

dishonest process, extreme care must be used. Make sure to keep a watchful look out for any questionable activity online. To be safe, make sure to double-check all the paperwork before buying any land. Before buying any property, check out the reputation and track record of the estate builder, look over the property's specifics, including the possession details, and never be afraid to ask questions.

Deviation from approved Plans: One of the primary problems buyers today face is deviation from the approved layout. The limitation is up to -5% or +5% of the accepted plan, although a minor modification is acceptable due to inescapable technical or architectural issues. The developer or builder will constantly be threatened with the demolition of that property if the development authority does not approve of the performance. Because of the unfair restrictions and fraud, a buyer must alert the seller in such circumstances and lodge a protest. Additionally, the buyer of the property has the right to demand reimbursement from the developer or builder if they have erred.

Delays in the project that force cancellation: A developer of real estate could unduly postpone the completion of a project that was previously sold at a discount in order to induce cancellations. The purpose of this is to allow the builder to resell them more quickly. It could also happen if the client pays Instalments later than expected.

Even though a property's builder is well within their rights to cancel the contract, they must do so in accordance with the stipulations and conditions laid down in the sale contract, according to RERA Section 11 Subsection (5). Additionally, the Act states that if the allottee is unhappy with the cancellation, they may request the right to pursue comfort.

Unreported property damage: Additionally, a customer can fall for a scam involving concealed property damage. In this case, the officer assessing the property can purposefully conduct a preliminary inspection while lacking the necessary inspection abilities. However, the ultimate result is a report that (intentionally or unwittingly) overlooks faults or issues, and the customer ends up buying a house that needs unforeseen repairs. Selling the same unit to Multiple buyers. It is the scam that occurs daily. Typically, the same flat is sold to various customers before the builder leaves the area after the sale. When a property has been sold to two distinct owners, one of them may sometimes be the owner and the other may hold the power of attorney. This leads to trouble down the road.

Assured returns: Builders occasionally promise a return on the initial investment of up to 12- to 14-percent up until the time of ownership. Additionally, the builders offer outdated reviews. The buyer believes the security to be adequate, but as the checks start to bounce, a

problem arises. You're not being duped by every builder or developer who offers it. The majority of builders do a fantastic job and provide consumers with sturdy homes. But the buyer needs to be on the lookout for these frauds.

Fake promises: Incentives from builders are generous for speedy purchases. Ownership contract pledges may differ from what really occurs. Therefore, be aware of the opportunities that these sorts of estates present.

Delays in the Ownership: The most common yet obvious approach to discover the outcome of a real estate fraud is through delays. The wait continues for years after submitting an application for the necessary funds. In addition to minor real estate initiatives, big real estate projects might also experience ownership delays. Look up additional details on the RERA website before making any real estate purchases. There is always a date of ownership so that investors can plan their investments.

IV. REAL ESTATE FRAUDS⁵

Concealment of Title: Title deception refers to confusing mention of ownership; this includes using false papers, withholding the owner's providence title, or illegally selling a property. Even if the former owner's or buyer's name or dwelling address is unclear, it could still pose issues in the future. The sale of properties that are still under construction, vacant, the subject of a legal dispute, or held by someone who resides overseas are all examples of properties that fall victim to the title deception scam. Convicts are taken into custody for title deceit under section 420 of the Indian penal code.

Hurried sales: There is a chance that a seller is deceiving you by withholding facts if they rush the sale of a property by making false promises or pressure you into buying a home quickly by suggesting there aren't many apartments left.

Misrepresentation: As builders or sellers could provide you one different while promising you another, misrepresentation is also known as fraud. Another component of the scam may involve changing a plane without notifying the investor.

Selling without proper authorisation: A CLU certificate is required to convert land into a commercial or residential structure. It is an authorised signatory certificate that is authorised by the state or union territory government's competent authority. It's possible that a seller is operating a fraud if he doesn't have a CLU certificate.

⁵ Admin (2022) *Most talked real estate frauds in India*, *Equitypandit*. Available at: <https://www.equitypandit.com/most-talked-real-estate-frauds-in-india/> (Accessed: 10 June 2025).

Unclear Mortgage: There are numerous instances where the seller did not pay off the mortgage before giving the buyer the house. Mortgage fraud involves the misrepresentation of any data or paperwork. Before selling the home, the seller must pay off the prior mortgage.

Encroachment: Verify whether the property's characteristics fall within the restrictions imposed by the government. Before investing in real estate, carefully review the papers; otherwise, the land may be subject to the jurisdiction of another party, making intrusion unavoidable. Before investing, the papers must be double-checked to prevent encroachment or potential legal issues.

Selling a single unit to multiple buyers: These types of scams happen when a con artist offers a single property to numerous investors. Visualise finding yourself in a position where multiple buyers claim the same property and each investment paid a different sum to do so. It is vital to determine whether the supplier is genuine in order to prevent the occurrence of this inspection.

V. CASES OF REAL ESTATE FRAUDS IN INDIA

Emaar properties scam of 2003: The Andhra Pradesh Industrial Infrastructure Institute (APIIC) and Emaar Properties, a Dubai-based real estate development company, engaged into a partnership in 2003. The plan is for the construction of an upscale community on 500 acres in Gachibowli, Telangana. According to the agreement, Emaar Properties will control 75% of the stock while handing over the other 25% to the APIIC. Another Dubai-based real estate firm, MGF, joined the fray and struck a contract with Emaar Properties in the year 2006. Due to this incident, APIIC's equity rate dropped from 25% to 6.5%. Instead of waiting for government approval, BP Acharya, the former managing director of APIIC, sectioned the altered terms. More than 100 customers are still knocking on the National Company Law Tribunal's door ten years later in the hopes of receiving a refund.⁶

Karnataka Waqf board scam: Manippady, the Chairman of the Minority Commission, uncovered the Rs 2.3 lakh billion scam in 2012. He asserted in his 7,000-page study that the WQAF had illegally taken over 54000 Acres of land and given it to private entities. Politicians, Waqf board members, and middlemen all participated in the scheme. The site was used to operate free hospitals and schools and for humanitarian purposes. The investigation also claimed that the Wakf Board illegally and unlawfully controls 27,000 acres of land.

⁶ *Common real estate scams/frauds in India - rest the case* (no date) 'Rest The Case'. Available at: <https://restthecase.com/knowledge-bank/what-are-the-common-real-estate-scams-in-india> (Accessed: 10 June 2025).

Adarsh scam: Adarsh Housing Society is a 31-story structure built for ministry of military employees and war widows. However, the building's residents were politicians and officials. After the scam was exposed, the CBI and Army each opened a separate probe into it. When the Chief Ministers' name is brought up, things become more difficult. The war widows were to receive all of the apartments. However, politicians abused their power over apartments.

VI. REAL ESTATE LAWS IN INDIA

Indian Stamp Act, 1899⁷ and Registration Act, 1908⁸: These acts regulate the rules pertaining to the requirement for the registration of various deeds, instruments, and papers pertaining to the transfer of an interest in moveable property and the payment of stamp duty on said documents.

Real Estate (Regulation and Development) Act, 2016 (RERA)⁹: To protect investors' interests, the Real Estate Act of 2016 examines the creation, promotion, and sale of real estate developments. The Real Estate Regulatory Authority and the Appellate Tribunal were established as an alternative dispute resolution mechanism under the Act. Additionally, it requires any real estate developments that fall under its purview to be registered. To ensure that the federal legislation is carried out locally, many States have enacted similar RERA rules.

Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013¹⁰: In the event that private land parcels are acquired by the Government for a business or certain public uses, this Act assures that families and people are fairly paid. It broadly outlines the compensation and remedial actions that the government will conduct in the case of property or land acquisition.

Transfer of Property Act, 1882¹¹: The Transfer of Property Act, 1882 is a key piece of legislation that establishes the fundamental rules of ownership for immovable property, including exchange, sale, lease, mortgage, and gift of property.

Indian Easement Act, 1882¹²: The Indian Easement Act of 1882 permits the owner of a property to use it for a predetermined amount of time. It merely explores the numerous aspects of using a property but not having possession of it.

⁷ Indian Stamp Act, 1899 (Act No. 2) of 1899.

⁸ Indian Registration Act, 1908 (Act No. 16) of 1908.

⁹ Real Estate (Regulation and Development) Act, 2016 (Act No. 16) of 2016.

¹⁰ Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (Act No. 30) of 2013.

¹¹ Transfer of Property Act, 1882 (Act No. 4) of 1882.

¹² Indian Easement Act, 1882 (Act No. 5) of 1882.

Indian Contract Act, 1872¹³: The laws governing contracts in India are governed by this act, including but not limited to the legal competence to enter into a contract, its execution, enforcement, and breach, as well as the remedies accessible to the signees in the event of any inconsistencies. Contract-related parts and chapters of the Transfer of Property legislation, 1882, are considered to be a component of this legislation.

Land Revenue Codes: The laws governing land revenue, tenancy types, agricultural land holding, and other related issues have been developed by many States around the nation. The mentioned code includes the division and classes of immovable property in a State, transfer limitations, responsibilities and authority of tax officers, and guidelines and sanctions for code violations.

In addition to the laws listed above, several state, local, or municipal laws, customs, and regulations also apply to the real estate industry in India. These subtleties relate to, among other things, Special Economic Zones (SEZs), rent control, urban development, property tax, ownership of property, land pooling, land ceiling, land zoning, and land usage.

VII. CONCLUSION

India is experiencing a rapid increase in its urban growth rate. Since the start of the twenty-first century, India's growth rates for urbanisation and industrialization have been drastically shifting. Urbanisation causes people to move around in pursuit of work, which will soon generate a shortage of land. As a result, the real estate market is expanding quickly. Real estate investing can therefore be beneficial. However, the crime rate is rapidly rising as the population is growing. Real estate has a lot of opportunity and capital due to the abundance of money, but it is also vulnerable to scammers and opportunity seekers, and a lack of research and mindfulness can be fatal. The real estate industry significantly contributes to the country's economic growth. In India, different laws apply to real estate in different States. The Real Estate (Regulation and Development) Act of 2016 (RERA), the Transfer of Property Act of 1882, and the Registration Act of 1908 are some crucial legislations that have an impact on the nation's real estate market. Therefore, it is essential to have a fundamental awareness of these regulations if you intend to invest in real estate or already own property.

Indian real estate is governed by a mix of central laws and state-specific regulations. The Indian Constitution's concept of "land" is the basis for this system. According to Article 246, "land" is one of the topics covered by List 2 or the State List of the Seventh Schedule, which only States are permitted to regulate. Contrarily, List 3 or the Concurrent List of the Seventh

¹³ Indian Contract Act, 1872 (Act No. 4) of 1882.

Schedule to the Indian Constitution includes topics that are subject to both federal and state legislation, including "Transfer of property other than agricultural land, registration of documents and deeds," "Contracts other than for agricultural land," and "Transfer of property other than agricultural land." Real estate in India is subject to a variety of regulations since properties are intimately tied to issues relating to the land. The fact that India is a nation with numerous religions and that its rules on inheritance and devolution, among other things, draw heavily upon diverse practises and customs in addition to codified laws, is another factor that contributes to the formulation of the laws. Numerous rulings and legal precedents on various real estate dynamics have also been decided over the years. Depending on the court or venue that rendered the decision, these judgements have either increased the sector's dependability or made it more binding.
