



**Artificial Intelligence In Rera Compensation Claims:
Efficiency, Fairness And Judicial Discretion**

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ABSTRACT

Artificial Intelligence (AI) has significantly impacted dispute resolution processes in legal and administrative frameworks, particularly in recent times. In the real estate industry in India, AI-powered tools are becoming more prevalent for managing cases, forecasting trends, automating calculations, and legal evaluation according to the Real Estate (Regulation and Development) Act, 2016 (RERA). One of the most promising applications of AI in the field of compensation claims is its ability to manage delayed possession, construction defects, misrepresented ads, and promoter misconduct. Delayed possession, construction defects, misleading ads, and promoter misconduct are only some of the most significant areas where AI integration could revolutionize the way compensation claims are handled. This paper aims to explore how AI can enhance the efficiency, consistency, and fairness of compensation-related adjudication processes within RERA, focusing on a critical analysis of its potential. This paper critically examines the potential of AI in making compensation-related adjudications in RERA underhand quicker, consistent, and fair. It also explores issues of algorithmic bias, transparency, evidentiary reliability, constitutional fairness and judicial discretion. The paper concludes that AI can enhance consumer protection and shorten the duration of disputes only when applied within a techno-legal framework that balances the advantages and disadvantages of the technology in the interest of justice and human oversight.

Keywords: Artificial Intelligence (AI) ,RERA Compensation Claims , Real Estate Regulation

1. Introduction

The Real Estate (Regulation and Development) Act, 2016 (RERA) was introduced as an important Act to regulate the real estate industry and safeguard the interests of homebuyers.² Before RERA came into existence, there were a host of irregularities in the Indian real estate sector, such as project delays, misleading advertisements, misappropriation of funds, and lack of accountability provisions. Delayed possession and construction defects were a major

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² The Real Estate (Regulation and Development) Act, No. 16 of 2016, Statement of Objects and Reasons, India Code (2016).



burden for homebuyers – both financially and emotionally.³ RERA placed duties on promoters and set up adjudicatory authorities which can give compensation and interest to distressed allottees. There are specific provisions in Sections 14 and 18 of the Act relating to compensation for structural defects and delayed possession and compensation for promoter's default.⁴ The provisions are one of the most robust consumer protection provisions under Indian real estate law. Technological advancements in the field of Artificial Intelligence have also revolutionized the governance and the legal system in today's era. The uses for AI include legal research, automated calculations, predictive modelling, and dispute resolution. There is potential for a lot of reduction in time and uniformity in compensation that can be achieved through the use of AI in the adjudication process by RERA. The use of AI in the adjudication process by RERA can significantly cut down on delays and uniformity in compensation. But there are constitutional principles like fairness, transparency and judicial discretion that cannot be disregarded in legal adjudication.⁵

2. Meaning and Scope of Compensation under RERA

Under the RERA, the compensation is a statutory remedy which aims at restoring the financial balance and thus, relief to the homebuyers.⁶ Section 18 of the Act provides for refund, interest and compensation to allottees in case of the failure of the promoters to complete or deliver projects as per contractual timelines. Section 14 also provides liability for structural defect and defective workmanship.⁷ Benefits provided under the RERA are wider than just contractual damages. The Courts and the adjudicating officers have found that allottees are not only deprived of their money but also having mental agony, harassment and inconvenience.⁸ The compensation thus covers the loss of rents, interest expenses, expenses of litigation, and emotional distress. Unequal bargaining power of builders and consumers was recognized through various judicial decisions like that in the case of Pioneer Urban Land & Infrastructure Ltd. v. Govindan Raghavan. The Supreme Court reiterated that any provision in a contract that benefits the promoters must not be to the detriment of the consumers under RERA.⁹ The adjudication under RERA aims to deliver quick and effective solutions. But the pendency of cases and the complexities of proceedings often result in delayed justice. In this regard, AI-driven systems can potentially contribute substantially to resolving compensation-related disputes.

3. Understanding Artificial Intelligence in Legal Systems

³ Abhay Upadhyay, *Real Estate Regulation Act: A New Era for Home Buyers*, 51(32) *Economic & Political Weekly* 23, 25 (2016).

⁴ The Real Estate (Regulation and Development) Act, 2016, §§ 14(3) & 18(1).

⁵ Cary Coglianese & David Lehr, *Regulating by Robot: Administrative Decision Making in the Machine-Learning Era*, 105(5) *Georgetown Law Journal* 1147, 1160 (2017).

⁶ The Real Estate (Regulation and Development) Act, No. 16 of 2016, § 18, India Code (2016).

⁷ The Real Estate (Regulation and Development) Act, No. 16 of 2016, § 14, India Code (2016).

⁸ Lucknow Development Authority V. M.K. Gupta, (1994) 1 SCC 243.

⁹ Pioneer Urban Land & Infrastructure Ltd. v. Govindan Raghavan, (2019) 5 SCC 725.



Artificial Intelligence is a type of computer system that can execute tasks which are normally carried out by humans including reasoning and making decisions.¹⁰ Machine learning, natural language processing, and predictive analytics are key components of AI systems that analyze vast amounts of data and detect patterns. In the legal industry, AI tools can be used for legal research, contract analysis software, predictive litigation models, and automated dispute resolution systems.¹¹ There has been a growing awareness globally of the use of digital technologies in case management and procedural efficiency in courts. Since the onset of the COVID-19 pandemic, the pace of digital courts and e-governance has picked up speed in India.¹² Adjudicating officers can use AI tools to review precedents, analyze contractual obligations, estimate interest obligations, and uncover compensation trends. The automated systems can also enhance the consistency and minimize delays in procedures. But legal adjudication has an ethical and constitutional aspect which differs from routine administrative activities. AI systems function relying on algorithms based on data, which might not adequately consider human empathy, fairness, or contextual reasoning.¹³

4. AI Applications in RERA Compensation Claims

AI based technologies can contribute greatly to the adjudication process in RERA in the following manner. The calculation of the period of default and compensation for statutory interest for allottees can be done automatically by the delay calculation software. Predictive analytics tools can review past decisions and make projections about the compensation results. Machine-learning systems can assess market valuation, losses to rentals, and financial prejudice to customers. AI tools can also categorize conflicts based on their complexity and help authorities prioritize urgent issues. AI-driven document verification, scheduling of hearings, and data analysis can help streamline the process and eliminate procedural delays. An agreement between a promoter and the allottee can be analyzed with the aid of NLP tools to find unfair clauses. AI can also enhance the consumer experience, such as by creating online filing systems and automated updates on the status of their case. These mechanisms could help to reinforce trust in regulatory systems by consumers.

5. Efficiency and Advantages of AI Integration

Efficiency is the biggest benefit of AI in the adjudication process in RERA. Traditional dispute settlement processes can be burdened with a high volume of cases and can be time-consuming because of administrative constraints. AI systems can analyze vast volumes of documents and data more quickly than human officers, potentially increasing efficiency. AI systems could parse through large amounts of data and documents faster than human officers, streamlining processes. One of the key advantages is the uniformity of compensation

¹⁰ Stuart Russell & Peter Norvig, *Artificial Intelligence: A Modern Approach* 1–3 (4th ed., Pearson, 2021).

¹¹ Richard Susskind, *Online Courts and the Future of Justice* 112–118 (Oxford University Press, 2019).

¹² E-committee, Supreme Court of India, *Phase III Vision Document for Indian Judiciary* (2023).

¹³ Cary Coglianese & David Lehr, *Regulating by Robot: Administrative Decision Making in the Machine-Learning Era*, 105(5) *Georgetown Law Journal* 1147, 1160–62 (2017).



calculations. AI tools can follow consistent guidelines in determining monetary compensation, rental loss, and interest. This eliminates unnecessary fluctuations and facilitates foreseeable determinations. AI could also help to streamline access to justice and save on legal fees and proceedings. There may be systems that provide automated legal support to assist consumers in comprehending their rights and claim preparation. An administrative side, AI-powered case management can help to cut down on backlog and enhance institutional effectiveness. A quicker resolution of disputes contributes to greater consumer protection and confidence in the real estate market.

6. Challenges of Algorithmic Bias

However, there are significant concerns about fairness and discrimination when it comes to integrating AI. Algorithms are based on past data and models that can have implicit biases. AI systems can generate biased or incorrect results when they are trained with faulty data. Algorithmic bias can disproportionately impact vulnerable customers with limited financial and legal means. Automated systems can also miss out on special factual situations that can impact compensation adjudication. Another challenge relates to explainability. The algorithms used in black boxes are frequently opaque, making it challenging for stakeholders to understand how decisions are made. This harms the principle of procedural justice, and it reduces the opportunity to appeal negative decisions. The over-dependence on the use of automated systems poses a further threat to judicial independence. The emotional anguish, hardship and the human behavior inherent in compensation disputes is not always quantifiable in mathematical terms.

7. Judicial Discretion and Natural Justice

The principle of judicial discretion is still a key factor in RERA's compensation process. Each dispute is different and has specific facts that must be considered when deciding the case. When deciding on compensation, human adjudicators take into account promoter conduct, financial hardship and consumer suffering. There is a need for fairness, transparency and opportunity to be heard within the principles of natural justice. The rule of "audi alteram partem" provides evidence and adverse findings can be contested. These systems, then, should be used only as a guide, not as a judge for adjudicating officers. Some human supervision is necessary to guarantee constitutional fairness and to avoid arbitrary results. It is a doctrine that has been reiterated time and time again in courts: technology is not a substitute for judicial reasoning. AI systems don't possess moral judgment and empathy, which is needed in legal adjudication.

8. Comparative International Approaches

AI dispute resolution systems have been implemented in various countries around the globe.¹⁴ Smart courts in China leverage AI to manage cases, conduct legal research, and

¹⁴ Susan Finder, *The Future of Smart Courts in China*, 26(1) *Asia Pacific Law Review* 1, 5–9 (2018).



facilitate court procedures. Predictive analytics is used in the United States for litigation strategy and sentencing recommendations. The European Union has adopted ethical AI principles focused upon transparency, accountability, and human oversight.¹⁵ The EU Artificial Intelligence Act aims at regulating high-risk AI systems, such as those that may be applied in judicial functions. The comparative methods in this study emphasize the need to harmonize innovation with constitutional protections. India can learn from and borrow from international practices, and create a model for its own legal context.¹⁶

9. Constitutional and Legal Concerns

The use of AI in adjudicatory systems creates constitutional issues regarding Article 14 and Article 21 of the Constitution of India.¹⁷ Automated decision-making systems need to adhere to the principles of equality, fairness and due process. Opaque algorithms can infringe upon the right to reason and procedural fairness. In addition, giving too much authority to machines to adjudicate could also threaten judicial independence. Another major worry is data privacy. AI systems require access to and analysis of personal and financial data. AI systems need to access and analyze personal and financial data, which is sensitive information. Therefore proper safeguards are required to minimize the risk of misuse of data related to litigants.¹⁸

10. Recommendations and Policy Framework

“At first, AI systems should be tools that help, not tools that make the final decision.” The ultimate authority for compensation awards must remain with human adjudicators.

Secondly, the adoption of transparent and explainable AI models is required. Parties should know how calculations and recommendations are made.

Third, Algorithmic bias and discriminatory outcomes should be identified through independent audits. Fourth, there must be comprehensive data protection safeguards to protect litigant information.

Finally, the Ministry of Housing and Urban Affairs should formulate specialized guidelines to regulate AI integration under RERA. Capacity-building programs should prepare adjudicating officers and legal professionals on ethical use of AI.

11. Conclusion

¹⁵ European Commission, *Ethics Guidelines for Trustworthy AI* (2019).

¹⁶ European Parliament, *Artificial Intelligence Act*, Regulation (EU) 2024/1689 (2024).

¹⁷ Maneka Gandhi V. Union of India, (1978) 1 SCC 248.

¹⁸ K.S Puttaswamy V. Union of India, (2017) 10 SCC 1.



RERA compensation adjudication is an area where Artificial Intelligence can make a difference in efficiency and accessibility. AI-assisted systems can help reduce procedural delays, improve consistency and increase consumer protection in India's real estate sector.

But legal adjudication involves constitutional principles of fairness, transparency and judicial discretion which cannot be compromised.” Reliance on opaque algorithms can undermine public confidence in mechanisms of justice delivery.

Hence, the future of AI in RERA compensation claims must be regulated by a balanced techno-legal framework that upholds human oversight and constitutional safeguards. Responsible adoption of AI can significantly improve dispute resolution, delivering fairness and justice to homebuyers.

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