

## IGOR CHUMACHENKO FOR RADIO BUSINESS FM: COURTS MUST OBSERVE BALANCE OF INTERESTS OF CO-INVESTORS AND DEVELOPERS

**VEGAS LEX partner Igor Chumachenko has commented on recovery of damages from developers for failure to meet construction deadlines for Radio Business FM.**

On April 18, 2017, Partner, Head of Real Estate, Land & Construction practice [Igor Chumachenko](#) spoke on the Risk Index with Nadia Grosheva program on Business FM radio; he was asked to comment on the story “Compensation for Broken Deadlines.”

[The Kommersant business daily has reported](#) a recent trend: lawyers file claims against developers for delaying the commissioning of housing and win cases collecting large sums in damages.

The Federal Law [214-FZ\\*](#) is aimed at protecting co-investors in residential construction projects from the risks; it gives grounds to impose penalties on developers who fail to complete the project on time, in addition to damages. Damages include any additional costs incurred by the potential apartment owners because of the delay, such as additional interest on the mortgage or the cost of renting temporary housing. The co-investor also has the right to expect penal sanctions, which are stipulated in the cooperative residential construction agreements – the size of the penalty is specified in the law. Usually they add up to a large sum, although the courts often try to reduce it.

Developers certainly have mechanisms to protect their interests, as Mr. Chumachenko said in his commentary: “Until recently, the courts, I think, have observed a balance of interests, that is, they imposed a penalty, made it as small as possible. Otherwise, more developers would go bankrupt, which is probably not the objective of their co-investors. Therefore, as far as the law enforcement practice is concerned, it should be aimed at maintaining the balance of interests of the parties, without favoring the developer or the future apartment owners who co-finance the project.”

The audio is available at

[https://vse.fm/station\\_40/UTC+3/2017/04/18/12:21:00/play](https://vse.fm/station_40/UTC+3/2017/04/18/12:21:00/play)

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\* *Federal Law ‘On Participation in the Shared-Equity Construction of Apartment Buildings and Other Real Estate, and on Amendments to Some Russian Laws’ No. 214-FZ of 30 December 2004.*

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