

Difference Between Charge and Mortgage



Charge:

- Charge creates an obstruction on the title of a property when there is a charge on the asset, the asset cannot be sold or transferred.
- The charge is incurred on the asset by the lender to the borrower's movable asset.
- So, the main difference between the mortgage and charge is the classification of an asset. The mortgage is on an immovable property while a charge is on a movable property.
- In charge, the lender doesn't get right to sell the property. If the lender sells the property to recover the amount it becomes mortgage.

Structure of charges

- On immovable property: Mortgages
- On movable property: Pledge, Hypothecation

Types of charges

1) Fixed charges

Fixed charges are incurred on the fixed assets like land & building, plant & machinery.

2) Floating charges

It is charged upon uncertain assets like stock, etc.

Mortgage:

The mortgage is an agreement between two parties, (i.e. the lender and the borrower) the borrower gives assurance to the lender to transfer the right to the immovable property for the security purpose.

Immovable property includes plant & machinery, building, land, and many other properties which are static.

In a mortgage, the ownership remains with the borrower and the possession is given to the lender.

If in any situation, borrower fails to pay back in time, the lender has right to sell the mortgaged property and recover the amount.

Types of mortgages

1. Simple mortgage
2. English mortgage
3. Equitable mortgage
4. Anomalous mortgage
5. Usufructuary mortgage
6. Mortgage by conditional sale

Difference Between Charge and Mortgage

BASE	CHARGE	MORTGAGE
Meaning	In charge, there is only security purpose to the lender.	In mortgage, the ownership of immovable property transfer to the lender.
Formation	It is created by following law or concerned parties	It is created by both parties like the lender and the borrower.
Act	It doesn't require registration.	It is registered under the property transfer act, 1882.
Time limit	In this, there is an infinity.	There is fixed time limit.
On which property	On moveable property.	On immovable property

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