

Thirteenth Kerala Legislative Assembly

Bill No. 114

**THE KERALA PROHIBITION OF CHARGING
EXORBITANT INTEREST BILL, 2012**

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Explanation:—Where an act of a person constitutes an offence under this Act and under the Kerala Money-Lenders Act, 1958 (35 of 1958), prosecution shall be launched under this Act.

STATEMENT OF OBJECTS AND REASONS

The Kerala Money-Lenders Act, 1958 (35 of 1958) is in force to provide for the regulation and control of the business of money-lending in the State. As per the provisions in the said Act, money lending licence is granted on condition that interest on the loans granted by the money-lenders shall not be in excess of two per cent of the maximum rate of interest charged by the commercial banks on the loans granted by them and that the interest on deposits shall be given only in accordance with the provisions of the Reserve Bank of India Act, 1934 (Central Act 2 of 1934) at such rates of interest being fixed by the Reserve Bank of India. A company incorporated under the Companies Act, 1956 (Central Act 1 of 1956) is not required to obtain a licence under the Kerala Money-Lenders Act, 1958 (35 of 1958).

2. Carrying on the business of money-lending without licence and violation of the conditions of licence is an offence punishable under the Kerala Money-Lenders Act, 1958 (35 of 1958). Moreover, there is no effective mechanism to control charging of exorbitant interest in the business by the money-lenders in Kerala. Therefore, in order to release the general public from the difficulties being experienced by them by falling prey to any person charging exorbitant interest in the names like daily vatti, hourly vatti, kandhu vatti, meter vatti, thandal, the Government consider it necessary to enact a new legislation, in the public interest, to prohibit lending money for such exorbitant interest and to provide stringent punishment thereof.

3. The Bill is intended to achieve the above object.

FINANCIAL MEMORANDUM

The Bill, if enacted and brought into operation, would not involve any additional expenditure from the Consolidated Fund of the State.

K. M. MANI.