

## The Tamil Nadu Prohibition of Charging Exorbitant Interest Act, 2003

Act 38 of 2003

**Keyword(s):**

Daily Vatti, Debtor, Exorbitant Interest, Hourly Vatti, Kandhu Vatti, Loan, Meter Vatti, Money-Lenders Act, Thandal

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The following Act of the Tamil Nadu Legislative Assembly received the assent of the Governor on the 14th November 2003 and is hereby published for general information:—

**ACT No. 38 OF 2003.**

*An Act to prohibit the charging of exorbitant interest by any person and matters incidental thereto.*

BE it enacted by the Legislative Assembly of the State of Tamil Nadu in the Fifty-fourth Year of the Republic of India as follows :—

1. (1) This Act may be called the Tamil Nadu Prohibition of Charging Exorbitant Interest Act, 2003.

Short title,  
extent and  
commence-  
ment.

(2) It extends to the whole of the State of Tamil Nadu.

(3) It shall be deemed to have come into force on the 9th day of June 2003.

2. In this Act, unless the context otherwise requires,—

Definitions.

(1) "daily vatti" means interest on daily basis which will work out to an interest rate more than that fixed by the Government under section 7 of the Money-lenders Act;

(2) "debtor" means a person who receives loan for exorbitant interest;

(3) "exorbitant interest" means and includes daily vatti, hourly vatti, kandhu vatti, meter vatti and thandal;

(4) "hourly vatti" means interest on hourly basis which will work out to an interest rate more than that fixed by the Government under section 7 of the Money-lenders Act;

(5) "kandhu vatti" means an interest which will work out to an interest rate more than that fixed by the Government under section 7 of the Money-lenders Act;

(6) "loan" means an advance of money for daily vatti, hourly vatti, kandhu vatti, meter vatti or thandal;

(7) "meter vatti" means an interest which will work out to an interest rate more than that fixed by the Government under section 7 of the Money-lenders Act, for every day on the loan amount not paid within the stipulated time;

(8) "Money-lenders Act" means the Tamil Nadu Money-lenders Act, 1957;

(9) "thandal" means interest which will work out to an interest rate more than that fixed by the Government under section 7 of the Money-lenders Act, which is to be collected daily along with the part of the loan amount;

(10) words and expressions used but not defined in this Act, shall have the meanings assigned to them in the Money-lenders Act.

3. No person shall charge exorbitant interest on any loan advanced by him.

Prohibition of  
charging  
exorbitant  
interest.

4. Notwithstanding anything contained in the Money-lenders Act, whoever contravenes the provisions of section 3 or molests or abets the molestation of any debtor for recovery of any loan shall be punishable with imprisonment for a term which may extend to three years and also with fine which may extend to thirty thousand rupees.

Penalty.

5. (1) A debtor may deposit the money due in respect of loan received by him from any person together with interest at the rate fixed by the Government under section 7 of the Money-lenders Act, into the Court, having jurisdiction, along with a petition to record that the amount deposited is in full or part, satisfaction of the loan including the interest therefor, as the case may be.

Deposit of  
money and  
presentation of  
petition to  
Court and the  
procedure  
thereof.

(2) The Court shall, on receipt of a petition under sub-section (1), refer a copy of the petition to the person mentioned in the petition, directing him to give his version of the case within a period of fifteen days as may be granted by the Court. The Court may, after due inquiry and after

considering the versions of the parties, pass orders recording the satisfaction of the loan and interest therefor in full or in part, as the case may be.

Restoration of possession of property.

6. The Court may, on filing a petition by the debtor, order the restoration of possession of property whether movable or immovable, if any, forcibly taken by any person towards repayment of the loan advanced or interest therefor.

Voluntary disclosure.

7. Any person who charges exorbitant interest may, within one month from the date of publication of the Tamil Nadu Prohibition of Charging Exorbitant Interest Ordinance, 2003 in the *Tamil Nadu Government Gazette*, file a petition before the Court disclosing his intention to charge only the rate fixed by the Government under section 7 of the Money-lenders Act on the loan advanced by him and on such disclosure, the interest in respect of such loan shall be as fixed by the Government under section 7 of the Money-lenders Act and no prosecution for the offences under this Act shall be instituted in respect of such loan.

Tamil Nadu  
Ordinance  
of 2003.

Adjustment of interest.

8. The Court may, on a petition filed by the debtor for settlement of loan including the interest therefor, pass an order for the adjustment of the interest, if any, paid by the debtor, over and above the rate of interest fixed by the Government under section 7 of the Money-lenders Act, towards the loan.

Abetment of suicide.

9. Where a debtor or any member of his family commits suicide and if it is shown that immediately prior to such suicide, the debtor or any member of his family was subjected to molestation by any person, the person who has advanced loan shall, unless the contrary is proved, be deemed to have abetted the commission of such suicide.

*Explanation.*—For the purpose of this section, “member of family” means the spouse, unmarried daughter or unmarried son.

Court fees.

10. Notwithstanding anything contained in any other law for the time being in force, the court fee payable in respect of a petition under this Act shall be rupees one hundred.

Act not to be in derogation to other laws.

11. The provisions of section 12 of the Money-lenders Act shall not apply in respect of offences under this Act. The provisions of this Act shall be in addition to and not in derogation to the provisions of any other law for the time being in force.

Application of provisions of Money-lenders Act.

12. Subject to the provisions of this Act, the provisions of the Money-lenders Act, in so far as they are applicable to money-lenders shall *mutatis mutandis* apply to a person referred to in section 3 of this Act.

*Explanation.*—Where an act of a person constitutes offences under this Act and under the Money-lenders Act, prosecution shall be launched under this Act.

Repeal and Saving.

13. (1) The Tamil Nadu Prohibition of Charging Exorbitant Interest Ordinance, 2003 is hereby repealed.

Tamil Nadu  
Ordinance  
of 2003

(2) Notwithstanding such repeal, anything done or any action taken under the Tamil Nadu Prohibition of Charging Exorbitant Interest Ordinance, 2003 shall be deemed to have been done or taken under this Act.

Tamil Nadu  
Ordinance  
of 2003.

(By order of the Governor)

A. KRISHNANKUTTY NAIR,  
Secretary to Government,  
Law Department.