

**KARNATAKA ORDINANCE NO. 6 OF 2003  
THE KARNATAKA PROHIBITION OF CHARGING  
EXORBITANT INTEREST ORDINANCE, 2003**

**Arrangement of Sections**

***Sections:***

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*(Promulgated by the Governor of Karnataka in the fifty-fourth year of the Republic of India and first published in the Karnataka Gazette Extra-ordinary on the 5th day of September, 2003)*

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

Whereas, in order to obviate the difficulties experienced by the public at large, and falling prey to any person charging exorbitant interest, it is considered necessary to prohibit lending money for such exorbitant interest and to provide for stringent punishment thereof:

Whereas both the Houses of the State Legislature are not in session and the Governor of Karnataka is satisfied that circumstances exist which render it necessary for him to take immediate action for the purpose hereinafter appearing;

Now, therefore, in exercise of the powers conferred by clause (1) of Article 213 of the Constitution, the Governor of Karnataka is pleased to promulgate the following Ordinance, namely,-

**1. Short title, extent and commencement.-** (1) This Ordinance may be called the Karnataka Prohibition of Charging Exorbitant Interest Ordinance, 2003.

(2) It extends to the whole of the State of Karnataka.

(3) It shall come into force at once.

**2. Definitions.-** (1) In this Ordinance, unless the context otherwise requires,-

(a) “**debtor**” means a person who receives loan for exorbitant interest;

- (b) “**exorbitant interest**” means and includes charging of interest on hourly basis, daily basis, installment basis, monthly basis or in any other form which works out to be an interest rate more than that fixed by the Government under section 28 of the Karnataka Money Lenders Act, 1961;
- (c) “**Karnataka Money Lenders Act, 1961**” means the Karnataka Money Lenders Act, 1961 (Karnataka Act 12 of 1961);
- (d) “**loan**” means an advance of money given to a debtor for exorbitant interest.

(2) Words and expressions used but not defined in this Ordinance shall have the meanings assigned to them in the Karnataka Money Lenders Act, 1961.

**3. Prohibition of charging exorbitant interest.-** No person shall charge exorbitant interest on any loan advanced by him.

**4. Penalty.-** Notwithstanding anything contained in the Karnataka Money-Lenders Act, 1961, whoever contravenes the provision 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.

**5. Deposit of money and presentation of petition to court and the procedure thereof.-** (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 28 of the Karnataka Money Lenders Act, 1961 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.

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

**6. Restoration of possession of property.-** 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.

**7. Voluntary disclosure.-** Any person who charges exorbitant interest may, within one month from the date of publication of this Ordinance, file a petition before the Court disclosing his intention to charge only the rate fixed by the Government under section 28 of the Karnataka Money Lenders Act, 1961, 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 28 of the Karnataka Money Lenders Act, 1961, and no prosecution for the offenses under this Ordinance shall be instituted in respect of such loan.

**8. Adjustment of Interest.-** 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 28 of the Karnataka Money Lenders Act, 1961, towards the loan.

**9. Abetment of suicide.-** 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.

**10. Court Fees.-** Notwithstanding anything contained in any other law for the time being in force, the Court fee payable in respect of a petition under this Ordinance shall be rupees fifty.

**11. Ordinance not to be in derogation to other laws.-** The provisions of sub-section (3) of section 28 and sections 38 to 40 of the Karnataka Money Lenders Act, 1961 shall not apply in respect of offences under this Ordinance. The provisions of this Ordinance shall be in addition to and not in derogation to the provisions of any other law for the time being in force.

**12. Application of provisions of the Karnataka Money Lenders Act, 1961.-** Subject to the provisions of this Ordinance, the provisions of the Karnataka Money Lenders Act, 1961, insofar as they are applicable to money lenders shall mutatis mutandis apply to a person referred to in section 3 of this Ordinance.

**Explanation:** Where an act of a person constitutes an offence under this Ordinance and under the Karnataka Money Lenders Act, 1961, prosecution shall be launched under this Ordinance.

**13. Deferment of repayment of loan.-** Notwithstanding anything contained in the Karnataka Money Lenders Act, 1961, no action against debtor who is a farmer or agricultural labourer to recover loan shall be taken for a period of one year from the date of commencement of this Ordinance.

**T.N. Chaturvedi**  
**Governor of Karnataka**

By Order and in the name of the  
Governor of Karnataka  
**M.R.HEGDE**  
Secretary to Government,  
Department of Parliamentary  
Affairs and Legislation.