



**KARNATAKA LEGISLATIVE ASSEMBLY
SIXTEENTH LEGISLATIVE ASSEMBLY
SIXTH SESSION**

**THE KARNATAKA PROHIBITION OF CHARGING EXORBITANT INTEREST
(AMENDMENT) BILL, 2025**
(LA Bill No. 03 of 2025)

A Bill to amend the Karnataka Prohibition of Charging Exorbitant Interest Act, 2004.

Whereas, it is expedient to amend the Karnataka Prohibition of Charging Exorbitant Interest Act, 2004 (Karnataka Act 14 of 2004) for the purposes hereinafter appearing;

Be it enacted by the Karnataka State Legislature in the seventy sixth year of the Republic of India as follows:-

1. Short title, and commencement.- (1) This Act may be called the Karnataka Prohibition of Charging Exorbitant Interest (Amendment) Act, 2025.

(2) It shall come into force at once.

2. Substitution of section 3.- For section 3 of the Karnataka Prohibition of Charging Exorbitant Interest Act, 2004 (Karnataka Act 14 of 2004) (hereinafter referred to as the Principal Act) the following shall be substituted, namely,-

“3. Prohibition of charging exorbitant interest and using coercive action.- (1) No person shall charge exorbitant interest on any loan advanced by him.

(2) Money Lender shall not use any coercive action either by himself or by his agents or by his family members for recovery of money from the debtor and any form of coercive recovery shall be liable for punishment under the provisions of this Act and empower the Registering Authority to suspend or cancel the Registration of such Money Lender as provided under the provisions of this Act.

Explanation: For the purposes of this section, "coercive Action" by a Money Lender against the debtors include the following, namely:-

- (i) exerting pressure or obstructing or using violence to or insulting or intimidating the debtor or his/her family members, or
- (ii) persistently following the debtor, his/her family member from place to place or interfering with any property owned or used by him/her or depriving him/her of, or hindering him/her in the use of any such property, or
- (iii) frequenting the house or other place where the debtor resides or works, or carries on business, or happens to be, with an intention of taking coercive action, or
- (iv) using the service of private or outsource or external agencies, criminal background to negotiate/urging the debtor to make payment using coercive and undue influence, or
- (v) Seeking to take forcibly any document from the debtor which entitles the debtor to a benefit under any Government programme.”

3. Amendment of section 4.- In section 4 of the Principal Act,-

- (a) for the words “three years”, the words “ten years”, shall be substituted; and
- (b) for the words “thirty thousand rupees” the words “five lakh rupees” shall be substituted.

4. Insertion of new section 4A and 4B.- After section 4 of the Principal Act, the following shall be inserted namely,-

“4A. Power to cancel or suspend Registration.- (1) The Registering Authority may, at any time, either suo-motu or upon receipt of complaint by a debtor cancel or recommend to cancel the registration of a Money Lender after hearing and after assigning sufficient reasons in writing for such cancellation and no order of cancellation of the registration shall be passed without issuing notice to the Money Lender intimating the facts upon which the prima-facie decision to cancel the registration has been taken and Money Lender shall be afforded a reasonable opportunity of being heard against such notice.

Explanation: For the purposes of sub-section (1), conviction of a Money Lender for an offence of violation of any of the provisions of this Act shall be sufficient cause for cancellation or recommend to cancellation of his registration.

(2) Pending enquiry under sub-section (1), the Registering Authority may, for sufficient reasons to be recorded, suspend the registration, of a Money Lender.

4B. Lending Norms.- The Government may, by notification, specify the lending norms, collection and recovery practices.”

STATEMENT OF OBJECTS AND REASONS

It is considered necessary to amend the Karnataka Prohibition of Charging Exorbitant Interest Act, 2004 (Karnataka Act 14 of 2004) to protect economically vulnerable groups and individuals from the undue hardship usurious interests rates and coercive means of recovery by licensed pawn brokers and unlicensed pawn brokers.

Hence, the Bill.

FINANCIAL MEMORANDUM

There is no extra expenditure involved in the proposed measure.

KYATHASANDRA N.RAJANNA

Minister for Co-operation
excluding Agriculture Marketing

M.K. VISHALAKSHI

Secretary
Karnataka Legislative Assembly

ANNEXURE
EXTRACT FROM THE KARNATAKA PROHIBITION OF CHARGING
EXORBITANT INTEREST ACT, 2004 (KARNATAKA ACT 14 OF 2004)

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

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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.

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