

BILLS INTRODUCED IN THE LEGISLATIVE ASSEMBLY OF THE STATE OF TAMIL NADU

Under Rule 130 of the Tamil Nadu Legislative Assembly Rules, the following Bill which was introduced in the Legislative Assembly of the Tamil Nadu on 26th April 2025 is published together with Statement of Objects and Resasons for general information:-

L.A Bill No. 11 of 2025

A Bill to protect and relieve the economically weaker and vulnerable groups and individuals, especially farmers, women and women's self-help groups from the undue hardship of coercive means of recovery of any loans by money lending entities like Micro Finance Institutions, Money Lending Agencies and Money Lending Organisations operating in the State of Tamil Nadu and for matters connected therewith and incidental thereto.

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

CHAPTER I.

PRELIMINARY.

Short title,
extent and
commencement.

1. (1) This Act may be called the Tamil Nadu Money Lending Entities (Prevention of Coercive Actions) Act, 2025.

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

(3) It shall come into force on such date as the State Government may, by notification, appoint.

Application.

2. This Act shall apply to all money lending entities functioning in the State of Tamil Nadu except Banks, Non-Banking Financial Companies registered with the Reserve Bank of India, Co-operative Banks and Co-operative societies:

Provided that the provisions of this Act relating to 'coercive action' against the borrower shall apply to the aforesaid Banks, Non-Banking Financial Companies registered with the Reserve Bank of India, Co-operative Banks and Co-operative societies.

Definitions.

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

(a) "borrower" means an individual or group of individuals or a Self Help Group or Joint Liability Group, who avail money in the form of loan for any purpose, from any money lending entity under an agreement either orally or in writing with terms and conditions that the money shall be repaid within a certain period of time;

(b) "coercive actions" mean actions specified in section 20;

(c) "co-operative society" means a society registered or deemed to be registered under the Tamil Nadu Co-operative Societies Act, 1983;

(Tamil Nadu Act
30 of 1983);

(d) "Government" means the State Government;

(e) "loan" means money advanced to the borrower by the money lending entity at interest explicitly charged or otherwise;

(f) "Micro Finance Institution" means an entity that provides micro loans to the borrowers, whose main or incidental activity is to lend money or offer financial support of whatsoever nature to the borrowers;

(g) “micro loan” means a loan given to a household having annual household income up to three lakh rupees or such limit as the Government may fix from time to time, by notification.

Explanation.— For the purpose of this clause, a household shall mean an individual family unit, i.e., husband, wife and their unmarried son and daughter.

(h) “money lending entity” includes any micro finance institution or money lending agency or money lending organisation or partnership firm or person or group of persons or digital lending platform or any other entity involved in money lending activities by whatever name it may be called, whose main or incidental activity is to lend money and recover it.

Explanation.— For the purpose of this clause,—

Tamil Nadu Act
XXIII of 1943.

(i) the term “money lending activity” does not include the business of Pawnbrokers regulated under the Tamil Nadu Pawnbrokers Act, 1943;

(ii) the term “group of persons” does not include community-based organisations like Self Help Groups, Panchayat Level Federations, Block Level Federations, District Level Federations and Area Level Federations;

(i) “prescribed” means prescribed by rules made under this Act;

(j) “Registering Authority” means an authority appointed under section 4;

(k) “State” means the State of Tamil Nadu.

CHAPTER II.

REGISTRATION OF MONEY LENDING ENTITIES

AND REGULATION THEREFOR.

PART I

REGISTRATION OF MONEY LENDING ENTITY.

4. (1) The Government may, by notification, appoint such number of officers to be the Registering Authority of money lending entities and define the areas of jurisdiction of such authority.

Appointment of
Registering
Authority.

(2) The Registering Authority shall exercise such powers and perform such duties as may be prescribed.

5. (1) No money lending entity functioning in the State on the date of commencement of this Act or intending to start the business of money lending after the commencement of this Act, shall grant any loan or recover any loan without obtaining a Certificate of Registration under this Act:

Money lending
entities to obtain
Certificate of
Registration.

Provided that, every money lending entity functioning in the State as on the date of the commencement of this Act, shall, within ninety days from the date of commencement of this Act, obtain a Certificate of Registration from the Registering Authority under this Act.

(2) Every application for registration of money lending entity shall be submitted through the online portal as may be notified by the Government, in such electronic form, along with such documents and fees as may be prescribed.

(3) On receipt of such application, the Registering Authority shall verify the details furnished by the money lending entity and grant or refuse to grant a Certificate of Registration through online portal referred to in sub-section (2) in such electronic form and within such time as may be prescribed:

Provided that no such application shall be rejected without giving opportunity of being heard to the applicant and for reasons to be recorded.

(4) If no decision is made on the application within the time limit prescribed under sub-section (3) by the Registering Authority concerned, the Certificate of Registration shall be auto-generated and granted online in such form as may be prescribed.

(5) The certificate granted under sub-section (3) or (4) shall be valid for a period of three years from the date on which it is granted, subject to fulfillment of such terms and conditions specified therein:

Provided that if any money lending entity intends to carry on its business in any other district or region other than the district or region where it has registered, it shall furnish the details of such registration in such electronic form as may be prescribed to the Registering Authority of the district or region concerned where it intends to carry on its business.

Renewal of
Certificate of
Registration.

6. (1) Every Certificate of Registration shall be renewed for a period of three years, in such manner and on payment of such fees and fulfillment of such conditions, as may be prescribed.

(2) Every application for renewal of the Certificate of Registration granted under this Act shall be made not less than sixty days before the date of expiry of the period of such certificate:

Provided that the Registering Authority may entertain the application for renewal after the expiry of the aforesaid period but before the expiry of the period of the certificate, if it is satisfied that the applicant was prevented by sufficient cause from applying for renewal in time.

(3) On receipt of the application under sub-section (2), the Registering Authority shall verify the details furnished by the money lending entity and renew or refuse to renew the Certificate of Registration in such electronic form as may be prescribed, before the date of expiry of registration:

Provided that no such application shall be rejected without giving opportunity of being heard to the applicant and for reasons to be recorded.

(4) If no decision is made on the application within the time limit prescribed under sub-section (3) by the Registering Authority concerned, the renewal of Certificate of Registration shall be auto-generated and granted online in such form as may be prescribed.

7. Every money lending entity shall have a registered office in this State. Registered office.

8. (1) Every Registering Authority, while granting a Certificate of Registration or renewal thereof, shall maintain a register of registered money lending entities in such electronic form and in such manner as may be prescribed. Maintenance of registers by the Registering Authority.

(2) On receipt of intimation from the money lending entity as required under the proviso to sub-section (5) of section 5, the Registering Authority shall make necessary entries in a separate Register to be maintained to register the money lending entities operating in the areas under its jurisdiction but registered in any other district or region, in such electronic form and in such manner as may be prescribed.

(3) The registers maintained under sub-sections (1) and (2) shall be uploaded by the Registering Authority in the online portal referred to in sub-section (2) of section 5 and shall be periodically updated in such manner as may be prescribed. The details of list of registered money lending entities and the list of money lending entities operating in the areas within the jurisdiction of the Registering Authority concerned should be made accessible to the general public.

PART II

REGULATIONS FOR MONEY LENDING ENTITY.

9. (1) The effective rate of interest charged by the money lending entity shall be prominently displayed in all its offices, its website, and in the prospectus or brochure or advertisement notices, as the case may be. Transparency in the business of money lending entity.

(2) There shall be only four components in the pricing of the loan, namely, the rate of interest, the processing charge, the insurance premium and delayed penal payment.

(3) Every loan application form shall include necessary information which may affect the interest of the borrower, so that a meaningful comparison with the terms and conditions offered by other money lending entities can be made and a proper decision can be taken by the borrower. Such application form shall indicate the documents required to be submitted with the application form.

(4) Every money lending entity shall deliver or cause to be delivered, to the borrower within one day before the date on which a loan is lent, a statement in the specified form showing in clear and distinct terms, the principal amount, date of the loan and of its maturity, the name and address of the money lending entity, borrower, the effective rate of interest charged, the processing charge, the insurance premium and delayed penal payment.

(5) There shall be a standard loan agreement.

(6) Money lending entity shall provide the borrower a loan card containing the following particulars,—

(i) the effective rate of interest charged, the processing charge, the insurance premium and delayed penal payment;

(ii) all the other terms and conditions attached to the loan;

(iii) information which adequately identifies the borrower; and

(iv) acknowledgements by the money lending entity of all repayments including instalments received and the final discharge.

(7) No money lending entity shall receive any repayment of loan from a borrower without giving him a duly signed receipt for the repayment.

(8) Every money lending entity shall, on a demand in writing by the borrower, supply a copy of any document relating to a loan obtained by him, or if the borrower so requires, to any person specified in that behalf in the demand.

(9) All communications with the borrower including the entries in the loan card shall also be in Tamil.

Lending Norms. 10. The Government may, by notification, specify the lending norms, collection and recovery practices.

Explanation.— For the purpose of this section, lending norms does not include rate of interest.

Money lending entity not to seek security. 11. The extent of loan up to which the Money lending entity shall not seek security from a borrower is such as may be prescribed.

Explanation.— For the purpose of this section, “security” means any form of collateral.

Books of Accounts to be maintained by the money lending entity. 12. Every money lending entity shall keep and maintain a cash book, a ledger and such other books of account in such form and such manner as may be prescribed.

Submission of accounts, returns, etc. 13. Every money lending entity shall upload an annual statement for each financial year in such form and within such time as may be prescribed, in the portal referred to in sub-section (2) of section 5.

PART III

POWERS OF REGISTERING AUTHORITY.

Power to cancel or suspend Registration. 14. (1) The Registering Authority may, at any time, either *suo motu* or upon receipt of complaint from a borrower or any other person, is of the opinion that the money lending entity has contravened any of the provisions of this Act or the rules made thereunder, shall issue a notice to the money lending entity to show cause as to why the registration of the said entity shall not be cancelled.

(2) The Registering Authority on consideration of reply, if any received therefor, and on satisfaction that the money lending entity has violated the said provisions, may cancel the registration of that money lending entity, after recording the reasons in writing for such cancellation.

(3) Pending enquiry under sub-section (1), the Registering Authority may, for sufficient reasons to be recorded, suspend the registration of that money lending entity.

(4) The money lending entity whose Certificate of Registration has been suspended or cancelled, shall not lend money.

(Central Act 46 of
2023)

15. (1) The Registering Authority or any officer authorised by it in writing in this behalf, without prejudice to the powers of Police authorities under Chapter VII and section 185 of the Bharatiya Nagarik Suraksha Sanhita, 2023, may, for verifying whether the business of the money lending entity is being carried on in accordance with the provisions of this Act, enter the premises of any money lending entity or of any person who in his opinion, is carrying on the business of money lending and call upon to produce any record or document relating to such business. Every such money lending entity or such person shall allow such inspection and produce such records or documents during such inspection, and as and when required.

Power to require
production
of records or
documents and
power of entry,
inspection and
seizure.

(2) The Registering Authority or any officer authorised by it, may, for the purposes of sub-section (1), search the premises and seize any records, documents as may be necessary. The records or documents so seized shall be retained only for such period as may be necessary for the purposes of examination, prosecution or other legal action.

(3) The Registering Authority or any officer authorised by it, shall also have power to summon and examine any money lending entity or any person connected with that entity, who in his opinion is in a position to furnish relevant information.

PART IV

DISPUTE RESOLUTION.

16. (1) Any borrower may file a complaint regarding violation of any provisions of this Act by a money lending entity either to the Registering Authority which registered the money lending entity or to the Registering Authority under whose jurisdiction the money lending entity operates, or to the jurisdictional police station.

Complaints.

(2) The Registering Authority shall inquire such complaint by following the procedures specified in section 14 and pass such order, as it may deem fit.

(3) If, after an inquiry, the Registering Authority finds that there is a *prima facie* case involving criminal offence against the money lending entity, the Registering Authority shall forward the complaint to the jurisdictional police station.

(4) No police officer shall refuse to receive such complaint.

17. (1) For the protection of borrowers and for the settlement of disputes of civil nature between the borrower and the money lending entity, in respect of loans granted by a money lending entity, the Government may, by notification, appoint one or more Ombudsperson as they deem fit. He can act as mediator between the borrower and lender for settling the disputes.

Appointment of
Ombudsperson.

(2) The powers and functions of ombudsperson shall be such as may be prescribed:

Provided that nothing contained in this section shall bar the jurisdiction of civil courts to hear and try the disputes.

CHAPTER III.

OFFENCES AND PENALTIES.

Punishment for carrying on business without registration.	18. Any person who is connected with and responsible for the day-to-day control, business and management of a money lending entity which carries on the business of providing loans without obtaining Certificate of Registration under section 5 shall be punishable with imprisonment for a term which may extend to three years and with fine which may extend to rupees one lakh.
Penalty for contravention of section 13.	19. The money lending entity which fails to upload the annual statement within the time stipulated under section 13, shall be punishable with fine which shall not be less than ten thousand rupees, but which may extend to one lakh rupees.
Prevention of coercive actions.	20. (1) No borrower or any of his family members shall be subjected to coercive action by a money lending entity or its agents while recovering loan from the borrower. (2) The following circumstances, if it occurs, or is present in relation to or connected with the recovery of loan from a borrower by a money lending entity or its agents may amount to coercive action: — (a) obstructing or using violence to or insulting or intimidating the borrower or any of his family members; or (b) persistently following the borrower or any of his family members from place to place, or interfering with any property owned or used by them, or depriving them of or hindering them in the use of, any such property; or (c) frequenting the house or other place where the borrower resides or works, or carries on business, or happens to be, with an intention of taking coercive action; or (d) using the service of private or outsourced or external agencies, to negotiate or urging the borrower to make payment using coercive and undue influence; or (e) seeking to take forcibly any document of the borrower which entitles him to a benefit under any Government programme, any other vital documents, articles or household belongings.
Punishment for contravention of section 20.	21. Whoever, in contravention of section 20 of this Act, use any coercive action for recovery of money against a borrower or any of his family members, shall be punished, — (i) where such contravention relates to clause (a) or (b) or (c) of sub-section (2) of section 20, with imprisonment for a term which may extend to three years or with fine which may extend to five lakh rupees, or with both; and (ii) where such contravention relates to clause (d) or (e) of sub-section (2) of section 20, with imprisonment for a term which may extend to five years or with fine which may extend to five lakh rupees, or with both.

(Central Act 45 of
2023)

22. Where a borrower or any of his family members commits suicide and if it is proved that immediately prior to such suicide, the borrower or any of his family member was subjected to coercive action by the money lending entity which has advanced the loan or its agents, such money lending entity and its agents shall be deemed to have abetted such suicide and so deemed to have committed an offence under section 108 of the Bharatiya Nyaya Sanhita, 2023.

Abetment of
suicide.

Explanation.— For the purposes of sections 20, 21 and 22, the term “family members” mean parents, spouse, and children of the borrower.

23. Whoever contravenes any of the provisions of this Act or any rules made thereunder for which no penalty is separately provided for in this Act, shall be punishable with fine which may extend to ten thousand rupees.

Punishment for
contravention of
other provisions
of the Act.

24. The offences punishable under this Act except sections 19 and 23, shall be cognizable and non-bailable in nature.

Cognizable and
non-bailable
offence.

25. Whenever a money lending entity is convicted under the provisions of this Act, the Registering Authority which registered the money lending entity or the Registering Authority under whose jurisdiction the money lending entity operates, is empowered to suspend or cancel or recommend to cancel the registration of such money lending entity under the provisions of this Act.

Suspension or
cancellation of
Registration
on imposition
of punishment
under this Act.

26. (1) Where an offence under this Act has been committed by a company, every person who at the time the offence was committed, was in charge of and was responsible to the company for the conduct of the business of the company, as well as the company shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly:

Offences by
companies.

Provided that nothing contained in this sub-section shall render any such person liable to any punishment provided in this Act if he proves that the offence was committed without his knowledge or that he exercised all due diligence to prevent the commission of such offence.

(2) Notwithstanding anything contained in sub-section (1), where an offence under this Act has been committed by a company and it is proved that the offence has been committed with the consent or connivance of, or is attributable to any neglect on the part of, any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall also be deemed to be guilty of that offence and shall be liable to be proceeded against and punished accordingly.

Explanation.— For the purposes of this section—

(a) “company” means a body corporate, and includes a firm or other association of individuals; and

(b) “director” in relation to a firm means a partner in the firm.

CHAPTER IV.

MISCELLANEOUS.

Every officer to be public servant.	27. Every officer or person acting under the provisions of this Act shall be deemed to be a public servant within the meaning of clause (28) of section 2 of the Bharatiya Nyaya Sanhita, 2023	(Central Act 45 of 2023)
Operation of other laws not affected.	28. The provisions of this Act shall be in addition to and not in derogation of, any other law for the time being in force.	
Power to give directions.	29. The Government may, from time to time, give such directions not inconsistent with the provisions of the Act or the rules made thereunder to the money lending entities, Registering Authority, Ombudsperson, or any other persons employed in connection with the implementation of this Act, as they may deem fit for giving effect to the provisions of this Act.	
Power to make rules.	30. (1) The Government may make rules to carry out the provisions of this Act. (2) (a) All rules made under this Act shall be published in the <i>Tamil Nadu Government Gazette</i> and unless they are expressed to come into force on a particular day, shall come into force on the day on which they are so published. (b) All notifications issued under this Act shall, unless they are expressed to come into force on a particular day, come into force on the day on which they are so published. (3) Every rule made or notification or order issued under section 31 of this Act shall, as soon as possible, after it is made or issued, be placed on the table of the Legislative Assembly, and if, before the expiry of the session in which it is so placed or the next session, the Assembly makes any modification in any such rule or notification or order, or the Assembly decides that the rule or notification or order should not be made or issued, the rule or notification or order shall thereafter have effect only in such modified form or be of no effect, as the case may be, so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule or notification or order.	
Power to remove difficulties.	31. If any difficulty arises in giving effect to the provisions of this Act, the Government may, by an order published in the <i>Tamil Nadu Government Gazette</i> , make such provisions not inconsistent with the provisions of this Act which appear to it to be necessary or expedient for the purposes of removing the difficulty: Provided that no such order shall be made under this section after the expiry of the period of two years from the date of commencement of this Act.	

STATEMENT OF OBJECTS AND REASONS.

Tamil Nadu is a pioneer State in protecting people from usurious interest on loans, by regulating the business of money-lenders and pawnbrokers. The State has enacted the Tamil Nadu Pawn Brokers Act, 1943 (Tamil Nadu Act XXIII of 1943), the Tamil Nadu Money-Lenders Act, 1957 (Tamil Nadu Act XXVI of 1957) and the Tamil Nadu Prohibition of Charging Exorbitant Interest Act, 2003 (Tamil Nadu Act 38 of 2003). However, recently economically weaker and vulnerable sections of the society especially farmers, women, self-help groups, agricultural labourers, workmen, footpath vendors, dairy workers, construction workers, migrant workers often fall prey to the attractive loans offered by the money lending entities including digital lending platforms which led people to incur unsustainable debt. Further, the money lending entities are resorting to unethical ways of recovering the debt from the borrowers who are already in financial distress, which sometimes instigates the suffering borrowers to commit suicide, thereby ruining many families, which disturbs social order.

2. Therefore, it is considered necessary to provide a statutory framework to protect the economically weaker and vulnerable groups from the undue hardships of coercive means of recovery by the money lending entities engaged in the business of providing loan to an individual or group of individuals or Self Help Groups or Joint Liability Groups. Accordingly, the Government have decided to enact a legislation to protect the people from the coercive actions of the money lending entities.

3. The Bill seeks to give effect to the above decision.

UDHAYANIDHI STALIN,
Deputy Chief Minister.

MEMORANDUM REGARDING DELEGATED LEGISLATION

Clauses 1(3), 4, 5, 6, 8, 10, 11, 12, 13, 17, 29 and 30 of the Bill authorize the Government to issue notification or orders, or to make rules, as the case may be, for the purposes specified therein.

2. The powers delegated are normal and not of an exceptional character.

UDHAYANIDHI STALIN,
Deputy Chief Minister.

Secretariat,
Chennai,
26th April 2025.

K. SRINIVASAN,
Principal Secretary.