



KARNATAKA LEGISLATIVE ASSEMBLY
SIXTEENTH LEGISLATIVE ASSEMBLY
SIXTH SESSION

THE KARNATAKA MONEY LENDERS (AMENDMENT) BILL, 2025

(LA Bill No. 04 of 2025)

A Bill further to amend the Karnataka Money Lenders Act, 1961.

Whereas, it is expedient further to amend the Karnataka Money Lenders Act, 1961 (Karnataka Act 12 of 1962) 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 Money Lenders (Amendment) Act, 2025.

(2) It shall come into force at once.

2. Amendment of section 10.- In section 10 of the Karnataka Money Lenders Act, 1961 (Karnataka Act 12 of 1962)(herein after referred to as the Principal Act) for the words “five years” the words “two years” shall be substituted.

3. Amendment of section 15.- In section 15 of Principal Act, after sub-section (3), the following sub- sections shall be inserted, namely:-

“(4) The Group B Officer of Revenue Department or Rural Development and Panchayath Raj Department or Urban Development Department or Town Planning Department or Woman and Child Development Department or Social Welfare Department or Minority Welfare Department or Tribal Welfare Department or Backward Classes Welfare Department shall report if any person is in contravention of the provisions of this Act and the Karnataka Prohibition of Charging Exorbitant Interest Act, 2004 (Karnataka Act No. 14 of 2004) to the concerned Registrar, Assistant Registrar or any Officer authorized by the State Government, in this behalf.

(5) The Registrar, the Assistant Registrar or any Officer authorized may on his own motion or on the report submitted by the Officers referred in sub-section (1), shall take action under the provisions of this Act.”

4. Insertion of new sections 15 A and 15 B.- After section 15 of the Principal Act, the following new sections shall be inserted, namely,-

“15-A. Settlement of disputes by Ombudsperson.- The Government **shall** by notification appoint an Ombudsperson who can act as a mediator between the borrower or lender, for settling the disputes. The procedure and guidelines for the settlement and mediation shall be in the manner as may be prescribed.

15-B. Grievances Redressal Forum.- The Government **shall** establish suitable grievance mechanism. The procedure and guidelines for grievance mechanism shall be in the manner as may be prescribed.”

5. Amendment of section 37.- In section 37 of Principal Act, in sub-section (2),-

(a) for the words “six months”, the words “ten years”, shall be substituted; and

(b) for the words “one thousand”, the words “five lakh”, shall be substituted.

6. Amendment of section 38.- In section 38 of the Principal Act,-

(a) for the words “one year”, the words “ten years”, shall be substituted; and

(b) for the words “fifty thousand”, the words “five lakh”, shall be substituted.

7. Insertion of section 38A.- After section 38 of the Principal Act, the following shall be inserted namely,-

“38A. Prohibition of 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 intension 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.”

8. Amendment of section 39.- In section 39 of the Principal Act,-

- (a) in clause (a),-
 - (i) for the words “with simple imprisonment which may extend to one year”, the words “with imprisonment which may extend to three years”, shall be substituted; and
 - (ii) for the words “fifty thousand rupees”, the words “three lakh”, shall be substituted.
- (b) in clause (b),-
 - (i) for the words “with simple imprisonment which may extend to two years”, the words “with imprisonment which may extend to ten years”, shall be substituted; and
 - (ii) for the words “one lakh rupees”, the words “five lakh rupees”, shall be substituted.

STATEMENT OF OBJECTS AND REASONS

It is considered necessary to amend the Karnataka Money Lenders Act, 1961 (Karnataka Act 12 of 1962) to protect economically vulnerable groups and individuals from the undue hardship usurious interests rates and coercive means of recovery by licensed money lender and unlicensed money lender.

Hence, the Bill.

FINANCIAL MEMORANDUM

There is no extra expenditure involved in the proposed measure.

MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 4:	(1) Section 15-A proposes to be inserted by this clause empowers the Government to prescribe by rules the procedure and guidelines for the settlement and the manner of mediation by the Ombudsperson. (2) Section 15-B proposes to be inserted by this clause empowers the Government to prescribe by rules the procedure and guidelines for grievances mechanism of the grievances redressal forum.
------------------	--

The proposed delegation of Legislative power is normal in character.

KYATHASANDRA N.RAJANNA
Minister for Co-operation
excluding Agriculture Marketing

M.K. VISHALAKSHI
Secretary
Karnataka Legislative Assembly

ANNEXURE
EXTRACT FROM THE KARNATAKA MONEY LENDERS ACT, 1961
(KARNATAKA ACT 12 OF 1962)

XXX

XXX

XXX

10. Term of licence.- A licence shall be valid for a term of five years.

Provided that where a money-lender holding a licence has made an application for a fresh licence before the date prescribed under sub-section (1) of section 6, for the succeeding 1[term]1, such money-lender shall, notwithstanding the expiry of the term of his licence, be deemed to have a valid licence until orders are received by him on his application for the fresh licence.

XXX

XXX

XXX

37. Entry of wrong sum in bond, etc., to be an offence.-

XXX

XXX

XXX

(2) Whoever contravenes the provisions of sub-section (1) shall, on conviction, be punished with imprisonment which may extend to six months or with fine which may extend to one thousand rupees or with both.

XXX

XXX

XXX

38. Penalty for molestation.- Whoever molests, or abets the molestation of, a debtor for the recovery of a debt due by him to a creditor shall, on conviction, be punished with imprisonment which may extend to one year or with fine which may extend to fifty thousand rupees or with both.

XXX

XXX

XXX

39. General provision regarding penalties.- Whoever fails to comply with or acts in contravention of any provision of this Act, shall, if no specific penalty has been provided for in this Act, on conviction, be punished,-

- (a) for the first offence with simple imprisonment which may extend to one year or with fine which may extend to fifty thousand rupees or with both, and
- (b) for the second or subsequent offence with simple imprisonment which may extend to two year or with fine which may extend to one lakh rupees or with both.

XXX

XXX

XXX

(Provisionally admitted)

**KARNATAKA LEGISLATIVE ASSEMBLY
(SIXTEENTH ASSEMBLY)
SIXTH SESSION**

Amendments to the Karnataka Money Lenders (Amendment) Bill, 2025
(LA Bill No.4 of 2025);

By Shri Kyathasandra N. Rajanna Minister for Co-operation Excluding
Agricultural Marketing;

I hereby give notice of my intention to move the following amendment to
the Karnataka Money Lenders (Amendment) Bill, 2025 (LA Bill No.4 of 2025,
namely:-

Clause-2

In the said Bill, in clause 2, for the words "two years" the words "three
years" shall be substituted.

M.K.VISHALAKSHI
Secretary