

THE BALOCHISTAN USURIOUS LOANS
ORDINANCE, 1959

(W.P. Ord. XVIII of 1959)

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SCHEDULE

'THE ?/[BALOCHISTAN?] USURIOUS LOANS

ORDINANCE, 1959

(W.P. Ord. XVIII of 1959)

[bP April, 1959]

An Ordinance to consolidate the law relating to usurious loans in the Province of *[Balochistan].

Preamble. WHEREAS it is expedient to consolidate the law relating to usurious loans in the Province of ?[Balochistan];

NOW, THEREFORE, in pursuance of the Presidential Proclamation of the 7th day of October, 1958, and in exercise of all powers enabling him in that behalf, the Governor of West Pakistan is pleased to make and promulgate the following

Ordinance:-

Short title and 1. () This Ordinance may be called the [Balochistan] extent. Usurious Loans Ordinance, 1959.

4[(2) It extends to the whole of the Province of ?[Balochistan] except the Tribal Areas.]

Definitions. 2. In this Ordinance, unless the context otherwise requires, the following expressions shall have the meanings hereby respectively assigned to them, that is to say—

(a) "interest" means rate of interest and includes the return to be made over and above what was actually lent, whether the same is charged or sought to be recovered specifically by way of interest or otherwise;

(b) "loan" means a loan whether of money or in kind and includes any transaction which is in the opinion of the Court, in substance a loan.

Application of the 3. This Ordinance shall apply to all suits pending on or Ordinance. instituted after its commencement namely:—

(a) for the recovery of a loan made after the twenty-

b

This Ord. was promulgated by the Governor of W.P. on 31st March, 1959; published in the W.P. Gazette (Extraordinary), dated 1959, pages 225-259; saved and given permanent effect by Article 225 of the Constitution of the Islamic Republic of Pakistan

2 Sub. by Baln. A.O. of 1975, for "West Pakistan".

3 Spelling of the word "Baluchistan", wherever it appears in this Ordinance, is corrected by insertion of letter "o" instead of "u", Government of Balochistan, S&GAD's Notification No. SORI (4) 6/ S&GAD-89, dated 18th June, 1989.

4 Subs. by W.P. Ord, VII of 1964.

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Re-opening of
transactions.

1 ie. Act XXVIII of 1855.

second day of March, Nineteen Hundred and
Eighteen;

(b) for the enforcement of any security taken or any
agreement whether by way of settlement of
account or otherwise, made after the twenty-
second day of March, Nineteen Hundred and
Eighteen, in respect of any loan made either
before or after the said date; and

(c) for the redemption of any security given after
the twenty-second day of March, Nineteen
Hundred and Eighteen, in respect of any loan
made whether before or after the said date.

4. qd) Notwithstanding anything in the Usury Laws
Repeal Act, 1855!, where, in any suit to which this Ordinance
applies, whether heard ex parte or otherwise, the Court has
reason to believe—

(a) that the interest is excessive; or

(b) that the transaction was, as between the
parties thereto, substantially unfair,

the Court shall exercise all or any of the following powers:-

(i) re-open the transaction, take
an account between the parties,
and relieve the debtor of all
liability in respect of any
excessive interest;

(ii) notwithstanding any agreement,
purporting to close previous
dealings and to create a new
obligation, re-open any account
already taken between
them and relieve the debtor of all
liability in respect of any
excessive interest, and if anything
has been paid or allowed in the
account in respect of such

liability, order the creditor
to repay any sum which it

considers to be repayable in

respect thereof;

(iii) set aside either wholly or in part or revise or alter any security given or agreement made in respect of any loan, and if the creditor has parted with the security, order him to indemnify the debtor in such manner and to such extent as it may deem just;

Provided that in the exercise of these powers, the Court shall not—

(i) re-open any agreement purporting to close previous dealings and to create a new obligation which has been entered into by the parties or any persons from whom they claim at a date more than twelve years from the date of the transaction;

(ii) do anything which affects any decree of a Court.

Explanation—In the case of a suit brought on a series of transactions the expression "the transaction" means, for the purposes of proviso (i), the first of such transactions.

(2) (a) In this section "excessive" means in excess of that which the Court deems to be reasonable having regard to the risk incurred as it appeared, or must be taken to have appeared, to the creditor at the date of the loan;

(b) In considering whether interest is excessive under this section, the Court shall take into account any amount charged or paid, whether in money or in kind, for expenses, inquiries, fines, bonuses, premia, renewals or any other charges, and if compound interest is charged, the periods at which it is calculated and the total advantage which may reasonably be taken to have been expected from the transactions.

(c) In considering the question of risk, the Court shall take into account the presence or absence of security and the value thereof, the financial condition of the debtor and the result of any previous transactions of the debtor, by way of

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ie. Act XXXII of 1956.

ie. Act VII of 1913.

loan, so far as the same were known, or must be taken to have been known, to the creditor.

(d) In considering whether a transaction was substantially unfair, the Court shall take into account all circumstances materially affecting the relations of the parties at the time of the loan or tending to show that the transaction was unfair, including the necessities or supposed necessities of the debtor at the time of the loan so far as the same were known, or must be taken to have been known, to the creditor.

Explanation— Interest may of itself be sufficient evidence that the transaction was substantially unfair.

(e) The Court shall deem interest to be excessive if it exceeds seven and a half per centum per annum simple interest or is more than two per centum over the bank rate, whichever is higher at the time of taking the loan, in the case of secured loans, or twelve and a half per centum per annum simple interest in the case of unsecured loans:

Provided that the provisions of this clause shall not apply if the loan has been advanced by any bank which is a 'scheduled bank' as defined in the State Bank of Pakistan Act, 1956, or any banking company registered under the Companies Act, 1913, 3[* * * *] or any Cooperative Society duly registered under any law for the time being in force "[, or credit institution to be notified by Government in this behalf.]

(3) Whatever be the form of the suit this section shall apply if such suit is substantially one for the recovery of a loan or for the enforcement of any agreement or security in respect of a loan or for the redemption of any such security.

(4) Nothing in this section shall affect the rights of any transferee for value who satisfies the Court that the transfer to him was bona fide, and that he had at the time of such transfer no notice of any fact which would have entitled the debtor as against the lender to relief under this section.

For the purposes of this sub-section, the word "notice" shall have the same meaning as is ascribed to it in section 4 of the Transfer of Property Act, 18825.

The words and commas "prior to the first day of April, 1937" del. By W.P. Ord. XX of 1960.

Add. By W.P. Ord. XX of 1960.
ie. Act IV of 1882.

(5) Nothing in this section shall be construed as derogating from the existing power or Jurisdiction of any Court.

Insolvency 5. On any application relating to the admission or amount proceedings. of a proof of a loan in any insolvency proceedings, the Court may exercise the like powers as may be exercised under section

3 by a Court in a suit to which this Ordinance applies.

Repeal. 6. The enactments specified in the Schedule are hereby repealed to the extent mentioned in the fourth column thereof.

SCHEDULE

Year No Short title Extent of Repeal

1 2 3 4

1918 xX The Usurious Loans Act, 1918 The whole.

1934 Vil The Punjab Relief of Indebtedness Sections 5 and 6. Act, 1934

1935 IV The Usurious Loans (North-West The whole. Frontier Province Amendment) Act, 1935