

The Usurious Loans Act, 1918

(ACT NO. X OF 1918)

An Act to give additional powers to Courts to deal in certain cases with usurious loans of money or in kind.

WHEREAS it is expedient to give additional powers to Courts to deal in certain cases with usurious loans of money or in kind; It is hereby enacted as follows:-

Short title and extent

- 1.(1) This Act may be called the Usurious Loans Act, 1918.
- (2) It extends to the whole of ¹[Bangladesh].
- (3) The ²[Government] may, by notification in the official Gazette, direct that it shall not apply to any area, class of persons, or class of transactions which it may specify in its notification.

Definitions

2. In this Act, unless there is anything repugnant in the subject or context,-
 - (1) "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 specially by way of interest or otherwise.
 - (2) "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.
 - (3) "Suit to which this Act applies" means any suit-
 - (a) for the recovery of a loan made after the commencement of this Act; or
 - (b) for the enforcement of any security taken or any agreement, whether by way of settlement of account or otherwise, made, after the commencement of this Act, in respect of any loan made either before or after the commencement of this Act; or
 - (c) for the redemption of any security given after the commencement of this Act in respect of any loan made either before or after the

**Re-opening
of
transactions**

3.(1) ³[* * *] where, in any suit to which this Act applies, whether heard ex parte or otherwise, the Court has reason to believe,-

(a) that the interest is excessive; and

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

the Court may exercise all or any of the following powers, namely, may,-

(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 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.