



The Punjab Debtors' Protection Act, 1936

Act 2 of 1936

Keyword(s):

Bank, Company, Co-operative Society, Court, Creditor, Interest, Loan, Trader, Money Lender

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THE PUNJAB DEBTORS' PROTECTION ACT,
1936.

PUNJAB ACT 2 OF 1936.

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'THE PUNJAB DEBTORS' PROTECTION ACT, 1936.

PUNJAB ACT 2 OF 1936.

[Received the assent of His Excellency the Governor on the 16th April, 1936, and that of His Excellency the Viceroy and Governor-General on the 30th May, 1936, and was first published in the Punjab Gazette, Extraordinary, of the 6th June, 1936.]

1	2	3	4
Year	No.	Short title	Whether repealed or otherwise affected by legislation
1936	2	The Punjab Debtors' Protection Act, 1936	Amended in part, Government of India (Adaptation of Indian Laws) Order, 1937 *Amended by Punjab Act. 9 of 1938 *Amended by Punjab Act 10 of 1939 Amended by Indian Independence (Adaptation of Bengal and Punjab Acts) Order of 1948 (G.G.O. 40) *Amended by East Punjab Act, 3 of 1948 Amended by the Adaptation of Laws Order, 1950 Amended by the Adaptation of Laws (Third Amendment) Order. 1951 *Amended by Punjab Act 8 of 1956 *Extended to Pepsu Territory and amended by Punjab Act 44 of 1960

¹For Statement of Objects and Reasons, see *Punjab Gazette*, 1935, Part I, page 249. For Report of the Select Committee, see *Punjab Gazette*, 1935, Part V, pages 49-50, and for Proceedings in Council see *Punjab Legislative Council Debates*, Volume XXVI, pages 988-989, Volume XXVII, pages 1137-1174, 1177-1210, 1238-1247; Volume XXVIII, pages 903, 1003-1028.

²For Statement of Objects and Reasons, see *Punjab Gazette* (Extraordinary) 1938, page 42; and for Proceedings in Assembly, see *Punjab Legislative Assembly Debates*, Volume IV, pages 696-704 and Volume V, pages 41 and 54.

³For Statement of Objects and Reasons, see *Punjab Gazette* (Extraordinary), 1939, page 143; and for Proceedings in Assembly, see *Punjab Legislative Assembly Debates*, Volume X, pages 77-90.

⁴For Statement of Objects and Reasons, see *East Punjab Gazette* (Extraordinary), 1948, page 155; and for Proceedings in Assembly, see *East Punjab Legislative Assembly Debates*, Volume II, pages 119-120.

⁵For Statement of Objects and Reasons, see *Punjab Government Gazette* (Extraordinary), 1956, page 164.

⁶For Statement of Objects and Reasons, see *Punjab Government Gazette* (Extraordinary), 1960, page 1945.

**An Act to provide for the more effective protection
of debtors in ¹[Punjab.]**

Preamble

WHEREAS it is expedient for the more effective protection of debtors to modify the existing law on certain points and to amend the law with respect to persons carrying on business as money-lenders;

AND WHEREAS the previous sanction of the Governor-General under sub-section (3) of section 80-A of the Government of India Act and the previous sanction of the Governor under section 80-C of the said Act have been obtained ; It is hereby enacted as follows :—

CHAPTER I.—PRELIMINARY.

Short title, extent
and commence-
ment.

1. (1) This Act may be called the Punjab Debtors' Protection Act, 1936.

(2) It extends to ²Punjab.

(3) It shall come into force *at once*.

Definitions.

2. In this Act, unless there is anything repugnant in the subject or context,—

(1) "Bank" means a company carrying on the business of banking and registered under any of the enactments relating to companies for the time being in force in the United Kingdom, or in any of the Colonies or Dependencies thereof, or in ³[any Part A State or Part C State], or incorporated by an Act of Parliament ⁴[of the United Kingdom], or by Royal Charter or Letters Patent or by any Act of ⁵[Parliament].

¹Substituted for the words "East Punjab" by the Adaptation of Laws (Third Amendment) Order, 1951.

²Substituted for the words "East Punjab" which had been inserted for the words "the Punjab" by the Indian Independence (Adaptation of Bengal and Punjab Acts) Order, 1948,—by the Adaptation of Laws Order, 1950.

³Substituted for the words "British India" by the Adaptation of Laws (Third Amendment) Order, 1951.

⁴Inserted by the Adaptation of Laws (Third Amendment) Order, 1951.

⁵Substituted for the words "the Central Legislature" by the Adaptation of Laws (Third Amendment) Order, 1951, the words "Central Legislature" had been substituted for the words Indian Legislature by the Government of India (Adaptation of Indian Laws) Order, 1937.

(2) "Company" means a company registered under any of the enactments relating to companies for the time being in force in the United Kingdom or in any of the Colonies or Dependencies thereof, or in ¹[any Part A State or Part C State], or incorporated by an Act of Parliament ²[of the United Kingdom], or by Royal Charter or Letters Patent, and includes Life Assurance Companies to which the Indian Life Assurance Companies Act, 1912, applies.

VI of
1912

(3) "Co-operative Society" means a society registered under the provisions of Co-operative Societies Act, 1912.

II of 1912

(4) "Court" includes a court acting in the exercise of insolvency jurisdiction.

(5) "Interest" 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.

(6) "Loan" means an advance whether of money or in kind at interest and shall include any transaction which the court finds to be in substance a loan, but it shall not include :—

(i) a deposit of money or other property in a Post Office Savings Bank or any other bank, or in a company or with a co-operative society ;

(ii) a loan to or by, or a deposit with any society or association registered under the Societies Registration Act, 1860, or under any other enactment for the time being in force ;

XXI of
1860.

¹Substituted for the words "British India" by the Adaptation of Laws (Third Amendment) Order, 1951.

²Inserted by *ibid.*

- (iii) a loan advanced by the ¹[State] Government or by any local body authorised by the ¹[State] Government.
- (iv) a loan advanced by a bank, a co-operative society or a company whose accounts are subject to audit by a certificated auditor under the Indian Companies Act, 1913 ; VII of 1913.
- (v) a loan advanced to a trader ;
- (vi) an advance made on the basis of a negotiable instrument as defined in the Negotiable Instruments Act, 1881, other than a promissory note ; XXVI of 1881
- (vii) a transaction which is, in substance, a mortgage or a sale of immovable property.
- (7) "Money-lender" means a person who, in the regular course of business, advances a loan as defined in this Act and shall include the legal representatives and the successors-in-interest, whether by inheritance, assignment or otherwise, of the person who advanced the loan.
- (8) "Trader" means a person who in the regular course of business buys and sells goods or, other property, whether movable or immovable and shall include—
- (i) a wholesale or a retail merchant,
 - (ii) a commission agent,
 - (iii) a broker,
 - (iv) a manufacturer,
 - (v) a contractor,
 - (vi) a factory owner,
- but shall not include a person who sells his own agricultural produce or cattle, or buys agricultural produce or cattle for his own use.

CHAPTER II.—EXECUTION OF DECREES.

3. In this Chapter, unless there is anything repugnant in the subject or context,—

Definitions.

(1) "land" means land which is not occupied as the site of any building in a town or village, and is occupied or has been let for agricultural purposes, or for purposes subservient to agriculture, or for pasture, and includes the sites of buildings and other structures on such land ;

(2) "Collector" means the Deputy Commissioner of a district or any officer specially empowered by the ¹[State] Government to exercise the powers of a Collector under this Chapter.

(3) "Commissioner" means the Commissioner of a division or any officer specially empowered by the ¹[State] Government to exercise the powers of a Commissioner under this Chapter.]

²[4. omitted]

²[5. omitted]

²[6. omitted]

²[6-A. omitted]

²[7. omitted]

²[8. omitted]

9. When custom is the rule of decision in regard to succession to immoveable property then, notwithstanding any custom to the contrary, ancestral immovable property in the hands of a subsequent holder ⁴[whether male or female and if female whether she holds as a limited owner or full owner] shall not be liable in the execution of a decree or order of a court relating to a debt incurred by any of his predecessors in interest:

Exemption of ancestral property from liability.

¹Substituted for the word "Provincial" by the Adaptation of Laws Order, 1950.

²Added by Punjab Act X of 1939, section 3.

³Sections 4, 5, 6, 6-A, 7 and 8 omitted by Punjab Act 44 of 1960, Schedule.

⁴Inserted by East Punjab Act 3 of 1948, section 2.

Provided that, when the debt has been expressly charged by way of mortgage on ancestral immovable property by a predecessor in interest, the court shall determine the liability of such land as if this section had not been passed :

Provided further, and subject to the foregoing proviso, that, in respect of a debt incurred before the commencement of this Act, ancestral property in the hands of a subsequent holder may be liable, only if all the following conditions are satisfied :—

First. That, before such liability is determined, the judgement-debtor shall be given sufficient opportunity to show cause against such liability.

Second. That such liability was permitted by the rule of custom applicable to the judgement-debtor immediately before the commencement of this Act, and nothing in this section shall prevent the judgement debtor from proving the contrary.

Third. That the decree-holder is able to show to the satisfaction of the court, that, at the time the debt was originally incurred, there was a subsisting judgement or order of a competent court, not in *ex parte* proceedings, holding that such a custom was applicable to the sub-tribe in the tahsil to which the judgement-debtor belongs.

Fourth. That the judgement-debtor is not able to show to the satisfaction of the court, that, at the time the debt was originally incurred, there was a subsisting judgement or order of a competent court, not in *ex parte* proceedings, holding to the contrary and subsequent to the judgement relied upon by the decree-holder.

Exemption of
standing crops and
trees from attach-
ment or sale.

10. Notwithstanding anything to the contrary contained in any other enactment for the time being in force:—

- (1) standing crops, other than cotton and sugarcane, shall not be liable to attachment or sale in the execution of a decree ;
- (2) standing trees apart from the land on which they stand shall not be liable to sale in the execution of a decree or an order of a court.

¹[(3) such portion of the judgement-debtor's land, not exceeding fifty per centum thereof, shall not be liable to attachment or sale in the execution of a decree for the payment of money as in the opinion of the court, having regard to the judgement-debtor's income from all sources except such income as is dependent on the will of another person, is sufficient to provide for the maintenance of the judgement debtor and the members of his family who are dependent on him.]

11. (1) Notwith standing anything to the contrary contained in any other enactment for the time being in force, where an application has been made to execute a decree passed after the commencement of this Act against a debtor as defined in sub-section (2) of section 7 of the Punjab Relief of Indebtedness Act, 1934 and not being a decree granting an injunction, no order for the execution of the same decree shall be made upon any fresh application presented after the expiration of six years from—

Execution barred
in certain cases.

- (a) the date of the decree sought to be executed, or
- (b) where the decree or any subsequent order directs any payment of money or the delivery of any property to be made at a certain date or at recurring periods the date of the default in making the payment or delivery in respect of which the applicant seeks to execute the decree.

(2) Nothing in this section shall be deemed—

- (a) to preclude the Court from ordering the execution of a decree upon an application presented after the expiration of the said term of six years, where the judgement-debtor has, by fraud or force, prevented the execution of the decree at some time within six years immediately before the date of the application ; or
- (b) to limit or otherwise affect the operation of article 183 of the First Schedule to the Indian Limitation Act, 1908.

²[11-A. Notwithstanding anything contained in the Code of Civil Procedure, 1908, no decree for the payment

¹Clause (3) added by Punjab Act 44 of 1960, schedule.

²Inserted by Punjab Act 9 of 1938 Section 2.

of money shall be executed by the sale without attachment, or by the appointment of a receiver of land or the produce of land or an interest in land, which under any law for the time being in force, is exempt from attachment or sale.]

Power to direct payment of decretal amount by instalments.

[11-B. The Court may, at any time on the application of a judgement-debtor, after notice to the decree-holder, direct that the amount of any decree passed against him, whether before or after the commencement of the Punjab Moneylending and Debtors' Protection Laws (Extension and Amendment) Act, 1960, in respect of a loan shall be paid in such number of instalments and subject to such conditions, on the dates fixed by it, having regard to the circumstances of the judgement debtor and the amount of the decree, as it considers fit. During the pendency of an enquiry under this section, the court may, subject to such conditions as it may impose, order the stay of execution of the decree. Such order shall be deemed to have been passed under section 47 of the Code of Civil Procedure, 1908.]

Prohibition of charge for expenses on loans.

11-C. No money lender shall receive from a debtor or intending debtor any sum other than reasonable costs of investigating title to the property, costs of stamp, registration of documents and other usual out of pocket expenses in cases where an agreement between the parties includes a stipulation that property is to be given as security or by way of mortgage and where both parties have agreed to such costs and reimbursement thereof or where such costs, charges or expenses are leviable under any law for the time being in force.]

CHAPTER III.—BURDEN OF PROOF

Burden of proof of consideration.

12. Notwithstanding anything to the contrary contained in any other enactment for the time being in force, the burden of proving that any consideration alleged to have been paid by a money-lender actually passed shall be on him ; unless the consideration is acknowledged by a debtor in his own handwriting or has been endorsed by the registering officer acting under clause (c) of sub-section (1) of section 58 of the Indian Registration Act, 1908, as having been paid in his presence.

XVI of 1908.