

Debt Relief Legislation in U. P.

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There has been considerable economic distress in the United Provinces of Agra and Oudh in recent years, as in other provinces of the country. Slump in prices and the indebtedness of those classes which eke out their living from land are some of the causes of this depression. The United Provinces Legislature being alive to the need, has passed six Acts to relieve, as far as possible, the agriculturists and other land owning classes from indebtedness and high rates of interest. Efforts have also been made to retain the landed property of the debtors with them, as much as it may be feasible.

Agriculturists' Relief Act No. 27 of 1934.

The first of the Acts in the line is the Agriculturists' Relief Act which received the assent of the Governor-General on the 10th April 1935 and came into force on the 30th April 1935. This Act attempts to relieve the agriculturist from indebtedness by reducing the rate of interest and by providing easy methods of repayment. The term 'Agriculturist' has been used in a wide sense in the Act and embraces almost all classes of people who depend on land for their livelihood. It includes landlords, under proprietors, *thekedars* paying revenue up to Rs. 1,000 per annum, persons in permanently settled districts who pay a local rate under the District Boards' Act X of 1922 up to Rs. 120 per annum, and persons holding land free of revenue who pay local rates up to Rs. 120 per annum. So far as actual cultivators are concerned the Act applies only to tenants who do not pay more than Rs. 500 as rent per annum and to persons who hold land rent-free, the areas of whose holdings do not exceed 80 acres. Besides these persons the Act also applies to agricultural labourers, general labourers, cowherds, goatherds, dairymen, blacksmiths, carpenters, fishermen, hunters, boatmen, barbers, tanners and leather workers, scavengers, basket makers, potters, mid-wives, watchmen, weavers or other servants of the village community or any similar class of persons whom the Local Government by notification from time to time may include.

Chief Benefits Conferred by the Act.

(1) Under the Act the Courts are authorised to grant instalments for repayment both in money and mortgage suits and also in cases in which money or preliminary decrees have been passed but

they are not fully satisfied. The time for repayment may vary from 4 to 15 years in various cases.

(2) The rate of future interest on decretal amounts has been reduced to $3\frac{1}{2}$ per cent per annum.

(3) Execution of decrees by sale of agricultural produce has been limited to 4 years.

(4) Summary remedy for the redemption of mortgages merely by an application has been provided by the Act.

(5) In case of possessory mortgages in future the mortgaged property shall be returned to the mortgagor at the end of a fixed term not exceeding 20 years and the mortgage debt shall be deemed as discharged.

(6) Rates of interest have been reduced by the Act as follows :

Amount of Loan.	Secured Loans.		Un-secured Loans.-	
	Compound per cent per annum. Yearly-rests.	Simple per cent per annum.	Compound per cent per annum. Yearly-rests.	Simple per cent per annum.
a. Rs. 500 and under ...	$6\frac{1}{2}$	9	11	14
b. Rs. 501 to Rs. 5,000 ...	6	8	$9\frac{1}{2}$	$11\frac{1}{2}$
c. Rs. 5,001 to Rs. 20,000.	$5\frac{1}{2}$	7	8	10
d. Over Rs. 20,000 ...	5	6	7	$8\frac{1}{2}$

(7) Money lenders are required under the Act to keep regular annual accounts of every debtor and to supply a copy of it to him. Failure to comply with this provision on the part of the creditor shall make him liable to lose whole or part of interest and the costs of the suit. The debtor has also the right to sue for the account of the money lent.

(8) A document will be prepared for every loan and a copy of the same shall be supplied to the debtor by the creditor.

(9) A fine of not exceeding Rs. 100 for the first offence and up to Rs. 500 for the second offence will be imposed upon the creditor for entering in books of accounts a sum larger than that actually lent and for not giving receipts.

(10) Interest on unsecured loans will be charged at the rate fixed for secured loans if the debts are paid back at the fixed time or earlier.

(11) Stamp duty and registration fee and copying fee have been considerably reduced on certain bonds executed by agriculturists.

If the bonds are in the form provided by the rules prepared under the Act, no copying fee will be charged for registration.

The following are the rates for stamp duty and registration fees :—

Amount.	Stamp duty.		Registration fee.		Copying fee.
	Rs.	AS.	Rs.	AS.	AS.
Up to Rs. 50 ...	0	1	0	1	3
„ 50 to Rs. 100 ...	0	2	0	2	3
„ 100 „ 200 ...	0	4	0	4	4
„ 200 „ 300 ...	0	6	0	6	6
„ 300 „ 400 ...	0	8	0	8	8
„ 400 „ 500 ...	0	12	0	12	10
„ 500 „ 600 ...	1	10	2	4	12
„ 600 „ 700 ...	2	0	2	4	12
„ 700 „ 800 ...	2	6	2	4	12
„ 800 „ 900 ...	2	12	2	4	12
„ 900 „ 1,000 ...	3	2	2	4	12
For ever Rs. 250 or part of Rs. 250, above Rs. 1,000 up to Rs. 3,000.	1	0	0	4	Nil.

The United Provinces Encumbered Estates Act No. 25 of 1934.

The second Act in the series is the United Provinces Encumbered Estates Act, which comes into force simultaneously with the Agriculturist's Relief Act, is intended to protect the landlords who pay not less than rupee one as local rate. Under this Act the debtors are required to make applications within one year from 30th April 1935 to the Collector giving the details of their debts. Special Judges are appointed under the Act. After the application has been made the Special Judge will go into the history of the debts and determine (a) the amounts payable by the applicant to each of his creditors and their priority; (b) whether there is any necessity to reduce the rate of interest, keeping in view the principle of *Damdapat*, i.e., the total amount shall not exceed double the principal. In this respect a line has been drawn between the debts incurred before the 31st December 1916 and those incurred afterwards. In the former case the total debt will not exceed double the principal entered in the last document and

in the latter case the total debt will not exceed double the amount actually lent. The Special Judge will keep in view the principles of the Law of Contract and the Usurious Loans Act.

(c) Then he will grant simple money decrees for the amount found due and the Collector will then arrange for the liquidation of the debt by grant of mortgage or bonds or by sale of the unprotected property of the landlord and bonds if any. The Collector is also entitled to sell the non-Zamindari property of the debtor as he deems proper after hearing the objections, if any, from the debtor. He will not, however, sell such personal property of the debtor and his family as it may be reasonable for a person of the debtor's position in life to possess, unless the said property is pledged as security for loans. At any rate the Collector will leave for the debtor at least one residential house and its furniture if they are free from mortgage or charge.

The entire debt of the debtor will be deemed to have been discharged after his unprotected land has been sold and bonds to the extent of the instalment value (which will be determined according to the rules framed by the Local Government) of his protected land have been granted. The debtor will also be immune from arrest for his debts. Protected lands are those which have been settled under the Oudh Settled Estates Act or to which the provisions of the United Provinces Estates Act apply.

After the application for the discharge of debts has been made to the Collector, the creditors will be debarred from taking execution proceedings against the debtor in the Civil Courts either by attachment or arrest.

Now there is a class of persons who have remedies both under the Agriculturists' Relief Act and the United Provinces Encumbered Estates Act. But they cannot take the benefit of both the Acts. Once the debtor has applied under the latter Act, he will be debarred from taking refuge under the former one. The chief intent of the United Provinces Encumbered Estates Act is to protect those Zamindars whose property, for some reason or other, cannot be administered under the Court of Wards Act.

The United Provinces Regulation of Sales Act.

The third Act passed is the United Provinces Regulation of Sales Act. This Act also came into force on the 30th April 1935, but its duration is short unless, of course, it is extended by the Local Government. Ordinarily its provisions will terminate on the 1st November

1936. The chief object of this Act is to protect only agricultural lands which, but for the Act, will be sold for very inadequate prices owing to the slump in the land market. This Act applies to cases where agricultural land is sought to be sold in execution of a decree for the debt contracted before the passing of this Act and the court does not grant instalments. Under this Act the Collector shall determine the value of the land attached on the basis of profits which would accrue if the remissions in rent, revenue etc., were not in force. This means ignoring the conditions which have led to the fall in the prices of land. The value of the land would be such multiple of the pre-slump profits as the Collector determines, subject to appeal to the Board of Revenue. After calculating the value of the land attached, the Collector would calculate if the whole or part of the land attached would satisfy the decree entirely.

Under this Act the creditor has three alternatives before him. He has either to (a) take the agricultural land or amount of agricultural land so determined as the case may be or (b) to get the sale postponed till 1st November 1936, during which period the execution of the decree shall be entirely suspended and no interest for that period shall accrue, or (c) to get the whole or portion of land as determined by the Collector, sold and accept the proceeds in satisfaction the decree to the extent of the value of the land as calculated by the Collector.

*The United Provinces Temporary Regulation of Execution Act
No. 24 of 1934.*

The fourth Act is the United Provinces Temporary Regulation of Execution Act. The object of this Act is to protect small agriculturists who do not pay more than rupee one per annum as local rate and do not follow any other profession but agriculture. The Act also includes persons who are agriculturists, agricultural labourers, general labourers, cowherds, goatherds, dairymen, blacksmiths, carpenters, fishermen, hunters, boatmen, barbers, tanners and leather workers, scavengers, basket makers, potters, midwives, watchmen, washermen, weavers, or other servants of the village community or any similar class of persons whom the Local Government may include in the list by notification in the official Gazette.

The provisions of this Act are very limited in nature. The Act does not apply to, (1) any decree passed after the commencement of this Act, or (2) any decree passed in favour of a co-operative

credit society registered under Co-operative Societies Act 1912, (3) any decree passed on the basis of a contract whereby a cultivator promised to supply sugarcane or other agricultural produce in consideration of an advance of money made in order to enable him to carry on the operation necessary for the production thereof, or (4) any decree whose decretal amount excluding future interest is less than Rs. 10 or more than Rs. 1,000 or (5) any final decree for sale where the amount required to be paid under the preliminary decree was less than Rs. 10 or more than Rs. 1,000 or (6) any decree the amount of which has been reduced under the Agriculturists' Relief Act 1934.

Chief benefits under the Act.

Under the Act a judgment-debtor is required to make an application to the court passing the decree or execution court within one year of the commencement of this Act, i.e., within the 30th April 1936. With this application or on some subsequent date not later than 30 days as fixed by the court, he has to deposit in the court 25 per cent of the amount due under the decree. This being done, the court shall fix annual instalments, not exceeding five, but the total amount required to be paid by instalments shall not exceed 40 per cent, if the rate of interest at which the debt was incurred exceed 24 per cent per annum, or 50 per cent if rate of interest is less than 24 per cent per annum, of the amount due under the decree. Besides this no interest shall be chargeable on the instalments. Thus the debtor saves 25 per cent to 35 per cent of the decretal money and future interest.

The Usurious Loans Act X of 1918 as amended by the Usurious Loans (U.P.) Amendment Act No. 23 of 1934.

The fifth Act is the Usurious Loans Amendment Act of United Provinces. This Act puts definite limits to rates of interest. In case of secured loans the rate of interest shall be deemed as excessive if it exceeds 12 per cent per annum and it shall not be deemed as excessive if it does not exceed 7 per cent per annum. Thus the two limits are fixed and the court has been vested with a discretion between 7 and 12 per cent per annum. Similarly in the case of unsecured loans upper and lower limits have been fixed as 24 per cent per annum and 9 per cent per annum respectively.

The Agriculturists' Loans Amendment Act of 1934.

The sixth and the last Act of the series is the Agriculturists' Loans (United Provinces) Amendment Act of 1934. This Act empowers the Local Government to grant loans to agriculturists for the payment of the existing debts. This Act will help the agriculturists to repay their debts more conveniently and it will be of great help for the purposes of the United Provinces Encumbered Estates Act.