



GOVERNMENT OF CEYLON  
LEGISLATIVE ENACTMENTS

Money Lending Ordinance

*1956 Revision*

1960

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MONEY LENDING

creditor derives no benefit), and shall for the purposes of the computation, as nearly as practicable, convert all such payments into a rate per centum per annum.

Observance of rule that interest shall not exceed principal.

5. In taking the account under section 2, the court shall observe the rule that no interest shall at any time be recoverable to an amount in excess of the sum then due as principal.

Meaning of undue influence.

6. (1) A transaction is said to be induced by "undue influence", within the meaning of section 2 of this Ordinance, where the relations subsisting between the parties are such that one of the parties is in a position to dominate the will of the other, and uses that position to obtain an unfair advantage over the other.

(2) Where a person who is in a position to dominate the will of another enters into a contract with him, and the transaction appears, on the face of it or on the evidence adduced, to be unconscionable, the burden of proving that such contract was not induced by undue influence shall lie upon the person in a position to dominate the will of the other.

(3) Nothing in subsection (2) shall affect the provisions of section 111 of the Evidence Ordinance.

Illustrations

(a) A having advanced money to his son, B, during his minority, upon B's coming of age obtains, by misuse of parental influence, a bond from B for a greater amount than the sum due in respect of the advance. A employs undue influence.

(b) A commercial firm, dealing with the owner of certain plumbago mines indebted to the firm, who is in insolvent circumstances, offers, as an alternative to obtaining an adjudication of his insolvency, to lend him a sum of money on condition of his repaying the amount in instalments at the customary rate of interest, but on the further condition of his binding himself to supply the firm during the period prescribed for the repayment of the loan, and if so required for the rest of his life, with the produce of his mines at a rate twenty per centum below the ordinary market rate for the time being. The mine owner, having no means of contesting any action the firm may take, consents. The commercial firm employs undue influence.

(c) A, being in debt to B, a money lender of his village, contracts a fresh loan on terms which appear to be unconscionable. It lies on B to prove that the contract was not induced by undue influence.

## MONEY LENDING

{Cap 30

7. Section 2 of this Ordinance shall not apply to transactions in the ordinary course of business by—

Exclusion of certain classes of transactions.

- (a) any mutual provident or specially authorized society registered under the Societies Ordinance;
- (b) any society incorporated under the National Housing Act;
- (c) any society registered under the Co-operative Societies Ordinance;
- (d) any body corporate or incorporated empowered by a special enactment to lend money in accordance with such special enactment;
- (e) any duly incorporated and registered bank or banking company;
- (f) any person or company bona fide carrying on the business of insurance;
- (g) any pawnbroker licensed under the Pawnbrokers Ordinance.

8. (1) A person who carries on the business of money lending, or who advertises or announces himself or holds himself out in any way as carrying on that business, shall keep or cause to be kept a regular account of each loan, clearly stating in plain words and numerals the items and transactions incidental to the account, and entered in a book paged and bound in such a manner as not to facilitate the elimination of pages or the interpolation or substitution of new pages.

Duty of persons carrying on money-lending business to keep accounts.

(2) If any person, subject to the obligations of this section, fails to comply with any of the requirements thereof, he shall not be entitled to enforce any claim in respect of any transaction in relation to which the default shall have been made:

Provided that in any case in which the court is satisfied—

- (a) that the default was due to inadvertence and not to any intention to evade the provisions of this section; and