

FIDC

Finance Industry Development Council

(A Representative Body of NBFCs in India)

CIN: U91990MH2004NPL146931

101/103, Sunflower, 1st Floor, Rajawadi Road No.2, Ghatkopar (East), Mumbai – 400 077

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21st July, 2025

Thiru N.Muruganandam

Chief Secretary to

Government of Tamilnadu

Chennai

Respected Sir,

Sub: **Tamilnadu Money Lending Entities (Prevention of coercive actions) Act, 2025**

Introduction to FIDC

We are a Representative Body of All Non-Banking Finance Companies (NBFCs) registered with Reserve Bank of India (RBI) and engaged in the business of lending. FIDC is a non-profit association registered under Section 25 of the Companies Act, 1956 with members constituting exclusively of NBFCs registered with Reserve Bank of India (RBI) under the RBI Act, 1934 (As Amended in 1997). The Council's main aim is to aid, help and encourage the business of Non-Banking Financial Companies engaged in the business of leasing, hire purchase, hypothecation, loan securitization, investments, asset management services and to devise and formulate a code of conduct and to set standard practices and systems for the member Finance Companies, which are an integral part of the Indian Financial Sector. The association's main object also includes protecting the interests of member Financing Companies carrying on the business of leasing, hire purchase, hypothecation, loan, securitization etc. Our members play an important part in the Economic progress of the Country and huge amounts are lent to borrowers.

FIDC has also received an in-principle approval from RBI to be recognized as a Self-Regulatory Organization (SRO) for the NBFCs.

Provisions of the Act

The Tamilnadu Assembly has recently passed the subject legislation with an objective to protect and relieve the economically weaker and vulnerable groups and individuals from coercion by Money Lending entities.

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The main objective of the Act is to protect the vulnerable groups and individuals from the undue hardship of coercive means of recovery of any loans by Money Lending entities, Micro Finance Institutions, Money Lending Agencies and Money Lending Organizations operating in the state of Tamilnadu.

Sec.2 of the Act specifically excludes the applicability of the Act to Banks, NBFCs registered with RBI, Co-operative Banks and Co-operative Societies. However, the said Act subjects only the NBFCs, Co-operative Banks and Co-Operative Societies within the purview of the provisions relating to coercive action against the Borrower.

We submit that Sec. 3 (h) of the Act which defines Money Lending entity does not expressly include NBFCs. Though the requirements of registration of Money Lending entity do not apply to NBFCs, Sec. 20 which relates to coercive action is applicable to NBFCs.

Section 21 prescribes the punishments of contravention of Sec. 20, and Sec. 22 provides a presumption for abetment of suicide if the Borrower or his family member commits suicide when he/she was subject to coercive action by the Money Lending entity.

Concerns of the NBFCs Registered with RBI

We submit that the above provisions of the Act shall be draconian to the business of the NBFCs which are registered and regulated by RBI under various regulations and guidelines. Reserve Bank of India being the regulator, regulates the entire working of NBFCs including recovery mechanisms for collection of money by NBFCs which are scrupulously being followed by NBFCs.

1. RBI Norms on Code of Fair Business Practices Include Provisions on “Non-Coercive Methods of Recovery”

As per the prevailing RBI norms, every NBFC has to mandatorily formulate a Board approved Code of Fair Business Practices (based on the guidelines prescribed by RBI). The same has to be mandatorily put up on the company’s website, and also submitted to RBI. This Code has a separate and distinct mention of “Non-Coercive Methods of Recovery” which spell out the

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Dos and Dents of the recovery procedures to be followed by every NBFC, specifically, preventing them to indulge in coercive practices.

As such, all the major concerns that the above said act wants to address are already covered under the prevailing RBI norms as mandated for all RBI registered NBFCs.

2. Judgement of the Hon'ble Supreme Court – Clearly Exempts RBI Registered NBFCs from All the Provisions of the State Money Lenders' Act

It is also pertinent to note that the Hon'ble Supreme Court of India in Civil Appeal No.5233 of 2012 between *Nedumpilli Finance Company Limited vs State of Kerala and others* and several connected appeals filed by various NBFCs (in which FIDC has also intervened) categorically held that Money Lenders Act will have no application to NBFCs registered under RBI Act and regulated by RBI

3. The Concerns Relating to Any Coercive Action of the Financier also covered under Bharatiya Nyaya Sanhita, 2023

We further submit that any action of the financier with an intention to harass the Borrower is punishable under various provisions Bharatiya Nyaya Sanhita, 2023 and such provisions are sufficient to punish the persons who are involved in harassment of the borrowers with criminal intention.

Request

- Therefore, the present enactment will result in duality of regulations for NBFCs and also create confusion in the minds of the employees of NBFCs. As a result the unscrupulous borrowers will take advantage of this duality in legislation in order to harass the employees of the NBFCs during the recovery of the amounts due which may impact the financials of the NBFCs.

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- *In such circumstances, we request the Government of Tamilnadu not to notify the Tamilnadu Money Lending Entity (Prevention of coercive actions) Act, 2025 and reconsider the implementation of the Act.*
- *Further, an amendment to the said act may be considered so as to fully exempt all RBI registered NBFCs from all the provisions of the act, including section 20.*

We hope that our concerns and suggestions thereon shall be considered favorably. Assuring you of our full co-operation always and thanking you in anticipation

Your Sincerely,

For FINANCE INDUSTRY DEVELOPMENT COUNCIL

RAMAN AGGARWAL
Chief Executive Officer
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