

15.50 hrs.

HIRE-PURCHASE BILL

THE MINISTER OF STATE IN THE
MINISTRY OF LAW AND JUSTICE
(SHRI NITIRAJ SINGH CHAUDHARY) :
I beg to move :

"That the Bill to define and regulate the rights and duties of parties to hire-purchase agreements and for matters connected therewith or incidental thereto, as passed by the Rajya Sabha, be taken into consideration."

Sir, the Bill before the House seeks to implement the recommendations contained in the Twentieth Report of the Law Commission of the law of hire-purchase subject to certain modifications. A hire-purchase agreement is an agreement for hire with option to the hirer to purchase the goods. It is a useful legal device to persons who desire to acquire goods on long terms and obtain possession of them. Until recent times, the need for a separate law on the subject of hire-purchase was not felt in our country as hire-purchase transactions were not resorted to until recent times on a large scale except in the field of automobiles.

As in other foreign countries such as England, with the growth of hire-purchase business, the absence of a specific law on the subject has given rise to certain abuses and evils particularly to the detriment of the hirer who is usually the weaker party to the transaction. It is with a view to avoiding such abuses and evils that the Law Commission made detailed recommendations for the enactment of a law on the subject.

15.52 hrs.

[SHRI K. N. TIWARY *in the Chair*]

The scope of the Bill before the House is quite limited. It does not purport to codify the law relating to hire-purchase. It only aims at defining and regulating the rights of the owners and hirers and of persons claiming under them. All other matters relating to hire-purchase agreements are left to be governed by the law in force relating to contracts. As explained in the Statement of

Objects and Reasons appended to the Bill as introduced, the Bill seeks to give special protection to the hirer, whatever such protection is legitimately needed.

The Joint Committee took great pains for ensuring that the interests of the hirers are fully protected. I do not propose to explain the various amendments made by the Joint Committee because they have all been dealt with in detail in the Report. But I have no hesitation in stating that the various amendments which the Committee has made are well considered. However, on further examination, it appeared that the amendment made by the Committee to clause 6 (2) (a) of the Bill to provide that the owner should have title to goods from the inception of the hire-purchase agreement had the unintended effect of making hire-purchase business the monopoly of rich businessmen. I will deal with this at the time of the clause by clause consideration of the Bill as the amendments given notice of by hon'ble Members, Shri Shankar Rao Savant, Dr. Laxminarayan Pandeya, Shri Pooool Chand Verma, Shri Somnath Chatterji, Shri Radhakrishnan and Shri Laxminarayanan relate to the very same matter.

A very significant amendment which the Joint Committee made is the inclusion of a new clause in the Bill for limiting hire-purchase charges. The clause appears as clause 7 of the Bill before the House. It seeks to limit the hire-purchase charges to an amount which would bear a reasonable relation to the cash price of the goods, the number of instalments of hire and the business expenses of the owner. The clause strikes a fair balance between the interests of hirers and owners and provides for necessary flexibility for limiting hire-purchase charges in respect of different classes of goods. I find, there are certain amendments to this clause and I will have occasion to say more about this clause at the stage of clause by clause consideration.

I commend the Bill, as passed by the Rajya Sabha, for the consideration of and passing by this House.

MR. DEPUTY SPEAKER : Motion moved :

"That the Bill to define and regulate the rights and duties of parties to hire-purchase agreements and for matters connected therewith or incidental thereto, as passed by the Rajya Sabha, be taken into consideration."

SHRI SOMNATH CHATTERJEE (Burdwan): Sir, I welcome this measure because it had been long overdue. In the modern trend of commercial development, hire-purchase represents a considerable part of the transactions which are entered into but we find that the weaker sections of the society are left completely at the mercy of the commercial institutions and financiers. We find that during recent years there have been a large number of hire-purchase transactions but many evils have crept into this system. There was no specific law apart from the law of contract and the law of the sale of goods to deal with such transactions. In working of hire-purchase law there are a lot of laws and as a result there has been a large-scale exploitation by a section of the people who had the money to invest and who are making available this money for the purchase of getting certain goods on hire-purchase basis. It has turned out to be an engine of oppression in the hands of unscrupulous financial institutions. That is why, I welcome this measure and I congratulate the Minister also.

So far as the form of agreement, which is generally in vogue, is concerned, it is heavily loaded in favour of the financiers. In my experience, in the courts of law, I have found that the financial institutions or the financiers get blank signed agreements from the hirers. Not in one case but in numerous cases I have found this because the hirers are completely at the mercy of the financiers. There are not only few instances. This is a problem which has been there and so far as transport contractors are concerned the problem is greater. Somebody applies for a permit for a taxi or a truck or a lorry. He has not got the money. When the taxi or truck is allotted to him, he had to rush for finance to the financiers or financial institutions. They pay to the motor company for being allotted the car. Then the usual system with these financial institutions is that they are charging almost penal rates of interest, deducting large sums of money by way of brokerage, by way of financing com-

mission and then take a large part of the amount by way of three or four instalments apart from the deposit that was made and then keep blank promissory notes signed by the parties, blank *hundis* signed by the parties and blank agreements containing blank spaces duly signed by the hirers or the guarantors. This was the common practice and this was very pertinently commented upon, I find, in the report of the Road Transport Taxes Enquiry Committee set up under the chairmanship of Dr. Keskar which submitted its report in November, 1967. Thereafter, another mode of business that was being adopted and that was seriously abused was the power of seizure that was provided in those agreements and which was liberally exercised and for the purpose of seizure what these financiers do is that they keep so to say an army of *thugs* and army of people who would go to different places and physically seize those cars or trucks even when almost 95% of the loan has been paid or even in some cases where only one instalment remains to be paid, they seize the cars.....

MR. CHAIRMAN : Please continue tomorrow.

16 hrs-

DISCUSSION RE. ALLEGED PAYMENT OF RS. 60 LAKHS TO SHRI NAGARWALA BY CHIEF CASHIER OF STATE BANK OF INDIA, NEW DELHI

MR. CHAIRMAN : We shall now take up the discussion under rule 193 to be raised by Shri Jyotirmoy Bosu.

SHRI JYOTIRMOY BOSU : The issue of Nagarwala has been one of the most mysterious ones, and during the last one year, people all over the country have been left guessing. If this Government had attached any value to public opinion, which they do not, they would have come out with details and cleared the fog. Instead, not only have they observed stony silence but they struggled to keep others in darkness including this Parliament. We were all made to sit