

# Uttar Pradesh Chit Funds Act, 1975

UTTAR PRADESH

India

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### Act 53 of 1975

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Uttar Pradesh Chit Funds Act, 1975(U. P. Act No. 53 of 1975)Last Updated 3rd March, 2020For Statement of Objects-and Reasons, please see. U.P. Gazette, (Extraordinary), dated August 7, 1975.An Act to provide in, the interests of general public for the regulation of chit funds in the State and for matters connected therewith.It is hereby enacted in the Twenty-sixth Year of the Republic of India as follows : -

## Chapter I

### 1. Short title, extent and commencement.

(1)This Act may be called the Uttar Pradesh Chit Funds Act, 1975.(2)It extends to the whole of Uttar Pradesh.(3)It shall come into force on such date as the State Government may, by notification in the Gazette, appoint in that behalf; and different dates may be appointed for different areas of the State and for different provisions of this Act.

### 2. Definitions.

- In this Act, unless the context otherwise requires -(1)"approved bank" means a bank approved by the State Government for the purposes of this Act ;(2)"chit" means a " transaction, whether called chit fund, chit, kuri, or by any other name, by which its foreman enters. Into an agreement with a number of subscribers that everyone of them shall subscribe a certain sum or a certain quantity of grain or of any other goods by periodical installments for a number of specified periods equal to the number of subscribers and that each subscriber at some of. them in his or their turn as determined by lot or by auction or by tender or in such other manner, as may be provided for in the agreement, shall be entitled to a prize amount ;Explanation. - A transaction is not a chit within the meaning of this, clause if in such transaction -(a)some alone, but not all, of the subscribers get the prize amount without any liability to pay future subscriptions , or(b)all the subscribers get the whole of the chit amount by turns with a liability to pay future subscriptions :Illustration. - There are 100 subscribers

to a chit and the subscription by each of them is Rs. 10. All the subscribers get by turns Rs. 1,000 being the whole of the chit amount and are liable to pay future subscriptions. The transaction falls within clause (b) at the above Explanation and is not a chit;(3)"chit agreement" means a document containing the articles of agreement between the foreman and the subscribers relating to the chit;(4)"chit amount" means the sum total of the subscriptions payable by all the subscribers for any installment of a chit without any deduction for discount or otherwise ;(5)"defaulting subscriber" means a subscriber who has defaulted in the payment of subscriptions due according to the terms of the chit agreement;(6)"discount" means the sum or the quantity of grain, or of other goods, as the case may be, which a prized subscriber is required under the terms of the chit agreement to fore go and which set apart under the said agreement to meet the expenses of running the chit or for distribution among the subscribers or for both ;(7)"dividend" means the share of a subscriber in the discount available Under the chit agreement for rateable, distribution among the subscribers at any installment of the chit;(8)"draw" with its grammatical variations, means ascertaining of the person or persons entitled to the prize amount at any installment of a chit ;(9)"firm" means a firm' registered under the Indian Partnership Act, 1932;(10)"foreman" means the person (including a firm) who under the chit agreement is responsible for the conduct of the chit, and includes any other person discharging the functions of the foreman on continuation of the chit in, circumstances mentioned in section 32 ;(11)"non-prized subscriber" does not include a subscriber who has defaulted in the payment of subscriptions due according to the terms of the' chit agreement ;(12)"prescribed" means prescribed by rules made under this Act ;(13)"prescribed authority" means the Sub-Divisional Magistrates (Executive) within their respective jurisdiction ;(14)"prize amount" means the difference between the chit amount and the discount, and, in the case of a fraction of a ticket, means the difference between the chit amount and the discount proportionate to the fraction of the ticket, and where the prize amount is payable otherwise than in cash the value of the prize amount shall be the value at the time it becomes payable ;(15)"prized subscribers" means a subscriber who has either received or is entitled to the prize amount;(16)"Registrar" means a Registrar appointed. under section 53, and includes any Additional, Joint, Deputy or Assistant Registrar appointed under that section and authorized by him to perform all or any of his functions under this Act ;(17)"subscriber" includes a person who holds a fraction of a ticket and also a transferee of a ticket or a fraction thereof by assignment in writing or by operation of law;(18)"ticket" means the share of a subscriber in a chit.

## Chapter II

### Constitution and Registration

#### 3. Registration of by-laws.

(1)Save as otherwise provided by or under this Act, no person shall start or conduct any chit unless he has registered with the Register the general bye-laws under which different chit series are to be operated.(2)For the purpose of registration, the general bye-laws of the chit series signed by the foreman and attested by not less than two witnesses shall be filed With the Registrar.(3)The Registrar may -(a)on being satisfied that the general bye-laws filed with him under sub-section (2) are not inconsistent with the provisions of this Act or of the rules made thereunder and that the

foreman is a proper person to conduct the chit, register the bye-laws and' issue to the foreman a certificate of registration: or(b)for reasons to be recorded, refuse the registration.(4)Without prejudice to the generality of his power under clause (ii) of sub-section (3) the Registrar shall refuse registration of any general bye-laws which do not provide for entering into an agreement in writing with the subscriber providing that the installments of subscription to the chit fund shall be monthly and the chit amount received every month from the subscribers shall be paid to the prized subscriber after deducting the discount which shall not exceed thirty per cent of the chit amount and that the discount shall be available for rateable distribution among the subscribers of the chit after payment of the commission to the foreman which shall not exceed five per cent of the chit amount.(5)The Registrar shall retain a copy of the bye-laws and return the other copy to the foreman with an endorsement that the bye-laws have been registered.(6)Notwithstanding anything contained in any contract, document or in any other law for the time being in force, any agreement contained in the articles of agreement between the foreman and subscriber which does not provide for payment of the entire chit amount after deducting the discount to the prized subscriber shall be void .

#### **4. Prohibition of invitation for subscription to chit of which bye-laws have not been registered.**

- No person shall issue or publish any notice, circular, prospectus or other document containing the terms and conditions of any chit or inviting the public to subscribe for tickets in any chit unless the same relates to a chit covered by the general bye-laws which have been registered under section 3.

#### **5. Form of chit agreement.**

- Every chit agreement shall be in duplicate duly signed the foreman and by the subscribers or a person duly authorized that behalf in writing by the subscribers, and attested by two nesses, and it shall contain the following particulars, namely -(1)full name and permanent residential address of each subscriber, and attested by two witnesses and it shall contain the following particulars, namely -(2)the number of tickets held by each subscriber;(3)the number of installments and the amount, payable in respect of each ticket for each installment;(4)the dates of commencement and termination of the chit;(5)the mode of ascertaining the prized-subscriber ;(6)the amount of discount which the prized subscriber, at any installment, has to fore go;(7)the mode and proportion' in which the discount is distributable by way of dividend, foreman's commission and other expenses, if any;(8)the date, time and place at which the chit is to be drawn;(9)if under the chit agreement the foreman is entitled to the chit amount, the installment at which the foreman is to get the chit amount;(10)the approved bank or banks with which chit moneys shall be deposited by the foreman under the provisions of this Act;(11)the manner in which a chit shall be continued, where a foreman who is an individual dies or becomes of unsound mind; or is otherwise incapacitated; and(12)such other particulars as may be prescribed.

## **6. Filling of chit agreement.**

(1) Every chit agreement, and every alteration in or addition to it made under section 9, with its duplicate, shall be filed with the Registrar who shall also be informed about its cancellation, if any, made under section 9. (2) The Registrar shall retain the chit agreement and return the duplicate chit agreement, alteration or addition to the foreman with an endorsement that the chit agreement, alteration or addition, is filed.

## **7. Commencement of chit business.**

(1) No person shall commence any auction or drawing of any chit unless he has obtained a certificate of commencement from the Registrar. (2) The Registrar shall, on being satisfied that the bye-laws of the chit have been duly registered and that the chit agreement including alteration in or addition to it, if any, has been filed and the security required under section 14 has been, furnished by the foreman grant a certificate of commencement.

## **8. Copies of bye-laws and chit agreement to be given to subscribers.**

(1) The foreman shall, as soon as may be, after he has obtained the certificate of commencement referred to in section 7, but not later than the date of first drawing of the chit, furnish to every subscriber a copy of the bye-laws of the chit and of the chit agreement certified by him to be a true copy. (2) The foreman shall, within fifteen days of the month succeeding the month in which the first installment of the chit is drawn, file with the Registrar a certificate to the effect that he has complied with the provisions of sub-section (1).

## **9. Alteration of chit agreement.**

- The chit agreement shall not be altered, added or cancelled except with the consent in writing of the foreman and all the subscribers to the chit.

## **10. Meeting.**

(1) A general meeting of the general body of subscribers shall be held each month in the prescribed manner. (2) A special meeting of the general body of the subscribers shall be convened by the foreman in the 'prescribed manner on the requisition of twenty-five per cent of the aggregate, of the number of the non-prized and unpaid prized subscribers.

## **11. Minutes of proceedings.**

(1) The proceedings of every draw shall be recorded in a book to be kept for that purpose and shall be signed by the foreman and all the subscribers present. It shall also be signed by the prized subscriber or his authorised agent. (2) Such record of the proceedings shall state clearly -(a) the date and hour when the proceedings began and 'ended' and the place where the drawing was held; (b) the

number of the particular installment of the chit of which proceedings are recorded;(c)the names of the subscribers present;(d)the person or persons who become entitled to the prize amount in the particular installment;(e)the amount of discount;(f)full particulars regarding the disposal of the prize amount in respect of the preceding installment and disposal of unpaid prize amount, if any, in respect of any previous installment; and(g)such other particulars as may be prescribed.

## **12. Copy of minutes to be filed with the Registrar.**

- Every foreman shall, within fifteen days of the month succeeding the month in which one or more installments of the same chit or one or more installments of any other chit are drawn, file with the Registrar a copy of the record referred to in section 11 in respect of the draws at all such installments and certified by the foreman to be true copy.

## **Chapter III**

### **Foreman**

## **13. Value of chits.**

- No foreman shall conduct at a time any chits the aggregate amount of which exceeds fifty per cent of the net assets of the foreman.Explanation. - In determining the net assets of a foreman for the purpose of this section the amount of security furnished by him shall be excluded if such amount is the amount of subscription received in advance from the subscribers.

## **14. Security to be given by foreman.**

(1)Every foreman shall, before applying for the certificate of commencement referred to in section 7 in respect of any chit series -(a)execute a bond in favour of or in trust for the other subscribers for the proper conduct of the chit, charging property sufficient to the satisfaction of the Registrar for the realisation of twice the chit amount; or(b)deposit in an approved bank an amount equal to the chit amount or invest in Government securities of the face value of not less than one and half time the chit, amount and transfer the amount so deposited or the Government securities in favour of the Registrar to be held in trust by him as security for the due conduct of the chit:Provided that, where moveable property is charged by way of security, only such kind of moveable property as may be prescribed shall be so charged and such moveable property shall be deposited in such manner and with such person or officer as may be prescribed.(2)Where a foreman conducts more than one chit, he shall furnish security in accordance with the provisions of sub-section (1) in respect of each chit.(3)Subject to the provisions of section 520 of the Companies Act, 1956, the security given by the foreman under sub-section (1) shall not be liable to be attached in execution of a decree or otherwise -(a)until the chit is terminated and the claims of all the subscribers are fully satisfied;(b)until all dues payable by the foreman under this Act to the, Registrar or any other officer have been paid;(c)where owing to the default of the prized subscriber the prize amount due remains unpaid even after the termination of a chit until the foreman deposits such amount in an approved bank mentioned in the chit agreement and intimates in writing the fact of such deposit to the prized

subscriber.(4)The Registrar shall, after the termination of a chit and after satisfying himself that the requirement mentioned in clauses (i) to (iii) of sub-section (3) have been complied with, release the property charged by way of security or order the release of the cash security or the Government security referred to in sub-section (1), and in doing so, he shall follow such procedure as may be prescribed.(5)The Registrar may on the application of any foreman, instead of releasing the security under sub-section (4), accept the same as security in respect of any other chit conducted by the same foreman. If the value or amount of the security so accepted is less than the value or amount specified in sub-section (1), the Registrar shall require the foreman to furnish additional security to make up the deficiency, If the value or amount of such security is in excess of the value or amount required, the Registrar shall release such excess.(6)Notwithstanding anything to the contrary contained in any other law for the time being in force, the security furnished under this section shall not be dealt with by the foreman during the currency of the chit, and any dealing by the foreman with respect thereto, by way of transfer, charge, mortgage or other encumbrance, shall be void.

## **15. Rights of foreman.**

- Subject to the provisions of this Act or the rules made thereunder, the foreman shall be entitled -  
 -(a)in the absence of any provision in the chit agreement to the contrary, to obtain 'the chit amount at the installment specified in this behalf in the chit agreement ;(b)to such commission or remuneration not exceeding five percent of the chit amount as may be fixed in the chit agreement;(c)to receive and realize all contributions from the subscribers ;(d)to demand sufficient security 'from any prized subscriber for the due payment of future subscriptions :Explanation. - A security is said to be sufficient for the purposes of this clause if its value exceeds by one-third or if it consists of immovable property, the value exceeds by one-half, the amount due from the prized subscriber ;(e)to substitute subscribers in the place of defaulters; and(f)to do all other acts that may be necessary for the due and proper conduct of the chit.

## **16. Duties of a foreman.**

(1)A foreman shall, on the prized subscriber furnishing sufficient security for the due payment of future subscriptions, be bound to pay him the prize amount :Provided that the prized subscriber shall be entitled to demand immediate payment of the prize amount after deducting all future subscriptions without any security whatsoever, and in such case the foreman shall, before the date of the next succeeding installment, deposit in an approved bank mentioned in the chit agreement the amount of future subscriptions deducted as aforesaid, and he shall not withdraw the amount so deposited except for payment of future subscriptions.(2)If owing to default of the prized subscriber the prize amount due in respect of any dues remains unpaid before the date of the next succeeding draw, the foreman shall deposit the same forth with in an approved bank mentioned in the Chit Fund Agreement and intimate, in writing, the fact of such deposit to the prized subscriber and the Registrar.(3)Every payment of the prize amount, the deposit of the amount of future subscriptions under sub-section (1) and the deposit of the prize amount under sub-section (2) shall be intimated to the subscribers at the next succeeding draw, and particulars of such payment or deposit entered in the record of the proceedings of that draw.(4)The foreman shall not appropriate for himself any amount in excess of what he is entitled to under Clause (a) and (b) of section 15 :Provided that the

foreman may appropriate for himself the interest accruing on any amount deposited in banks except interest on deposits made under sub-section (2) or under section 24.

## **17. Registers and books of account.**

- Every foreman shall keep such registers and books of account, and in such form, as may be prescribed.

## **18. Balance sheet.**

(1) Every foreman shall prepare and file with the Registrar in such manner and within such time as may be prescribed, a balance sheet relating to the period of account duly audited either by auditors duly qualified to act as auditors of companies under the Companies Act, 1956 (Act I of 1956) or by a Chit Auditor appointed under sub-section (3) of section 53. (2) The balance sheet referred to in sub-section (1) shall: (a) contain a summary of the assets and liabilities of all chits conducted by him; (b) give such particulars as will disclose the nature of the said assets and liabilities and how the value of those assets has been arrived at; and (c) such other particulars as may be prescribed.

## **19. Liability of a foreman to the subscribers.**

(1) Every foreman shall be liable to account to the subscribers for the amounts due to them. (2) Where there are more than one foreman, each one of them jointly and severally, or if the foreman is a firm, each one of the partners thereof jointly and severally and if the foreman is a Corporation, that Corporation shall be liable to the subscribers in respect of the obligations arising out of the chit.

## **20. withdrawal of a foreman.**

(1) Where there are more than one person as foreman in a chit, none of them shall withdraw from it until the termination of the chit unless such withdrawal is consented to by all the non-prized subscribers and unpaid prized subscribers and a true copy of such consent has been filed by the remaining foreman within fourteen days of the date of such consent. (2) Such withdrawal shall not, however, affect the security given under section 14.

# **Chapter IV**

## **Non-Prized Subscribers**

### **21. Non-prized subscribers to pay subscription and obtain receipt.**

- Every non-prized subscriber shall pay his subscription at the time and place mentioned in the chit agreement and shall on such payment be entitled to a receipt from the foreman.

## **22. Removal of defaulting subscribers.**

(1)(a)A non-prized subscriber who defaults in paying His subscription in accordance with the terms of the chit agreement shall be liable to have his name removed from the list of subscribers .(b)Every such removal shall, with the date, thereof, be entered in a book of defaulting subscribers to be maintained by the foreman:(2)The foreman shall within fourteen days from the removal of the name of a defaulting subscriber under sub-section (1) -(a)give a notice of this fact to such defaulting subscriber; and(b)file with Registrar a true copy of the en try in the register referred to in clause (b) of sub-section (1).(3)Any defaulting subscriber aggrieved by the removal of his name from the list of subscribers may, within seven days of the communication to him of the notice of removal appeal to the Registrar.(4)The Registrar may after giving the parties an opportunity of being heard, pass such orders on the appeal as he thinks fit and the decision of the Registrar shall be final.

## **23. Substitution of subscribers.**

(1)A foreman may substitute in the list of subscribers any person in the place of a defaulting subscriber whose name has been removed from such list under sub-section (1) of section 22 :Provided that no such substitution shall be made until the expiry of fifteen days from the date of the service of the notice given to the defaulting subscriber under clause (a) of sub-section (2) of section 22,(2)Every substitution referred to in sub-section (1) shall, with the date thereof, be entered in the book referred to in clause (b) of sub-section (1), of section 22, and a true copy of every such entry shall be filed by the foreman with the Registrar within fourteen days from the date of such substitution along with a certificate that a copy of the bye-laws of the chit and of the chit agreement certified as true copy has also been furnished to the substituted subscriber,(3)All arrears of subscriptions realized from the substituted subscriber, less any amount advanced by the foreman, shall, before the date of the next succeeding installment, be deposited by the foreman in an approved bank mentioned in the chit agreement, in the name of the Registrar.Explanation. - For the purposes of this sub-section, arrears of subscription's shall mean all the previous installments realized, from the substituted subscriber.

## **24. Amount due to defaulting subscriber how dealt with.**

(1)Where a substituted subscriber draws the prize amount; the defaulting subscriber shall be entitled to recover his contributions subject to such deductions as may be provided for in the chit agreement, which in no case shall exceed the dividend already received by such defaulting subscriber.(2)The foreman shall on demand made by the defaulting subscriber and on his executing an acknowledgement duly signed, inform the Registrar of the amount due after making all deductions and the Registrar shall issue a cheque or draft in favour of such defaulting subscriber.(3)If the defaulting subscriber fails to furnish the acknowledgement as aforesaid, the foreman shall, before the date of next succeeding installment deposit in as approved bank the amount due to the defaulting subscriber, and intimate in writing the fact of such deposit to the defaulting subscriber and the Registrar, The amount so deposited shall not be withdrawn by the foreman for any purpose other than for payment to the defaulting subscriber.



## **Chapter V**

### **Prized Subscribers**

#### **25. Prized subscriber to give security.**

- Every prized subscriber shall receiving before the prize amount without deductions of all future subscriptions, furnish to the foreman sufficient security and the foreman shall take such security for the due payment of future subscriptions, and if the foreman is the prized subscriber or draws the chit amount under clause (a) of section 15, he shall furnish security for the due payment of future subscriptions to the satisfaction of the Registrar :Provided that a prized subscriber, other than the foreman, whose security is not being accepted as sufficient by the foreman, may within three months of the date on which he becomes the prized subscriber, appeal to the Registrar, who may, after giving the parties an opportunity of being heard, pass such orders on the appeal as he thinks fit, and his decision in the matter shall be final.

#### **26. Prized subscriber to pay subscriptions regularly.**

- Every prized subscriber shall pay his subscriptions regularly at the time and the place and on the dates mentioned in the chit agreement, failing which, he shall be liable to make a consolidated payment of all the future subscriptions at once :Provided that the foreman shall pay the amount of subscription every month on behalf of any defaulting prized subscriber till the consolidated payment for arrears and all future interments are realized from such defaulting prized subscriber, which amount shall be deposited by the foreman in the account of the Registrar after deducting the subscription paid by him on behalf of such prized subscriber.

#### **27. Recovery of consolidated payment and its disposal.**

(1) If in a suit by a foreman for consolidated payment of future subscriptions, the defaulting prized subscriber, agrees to pay or pays into the court on or before the date to which the suit is fixed for hearing the arrears of subscriptions till that date together with interest thereon at the rate provided for in the chit agreement or at twelve per cent per annum simple interest, whichever is lower, and the costs of the suit for payment to the foreman, then, notwithstanding any contract to the contrary, the court shall pass a decree accordingly:Provided that if any such suit is upon a promissory note, no decree shall be passed under this sub-section unless such promissory note expressly states that the amount due thereunder is towards payment of subscriptions to the chit.(2) Any person who holds an interest in the property furnished as security or any part thereof shall be entitled to make payment under sub-section (1).(3)(a) all consolidated payments of .future subscriptions realized by a foreman shall be deposited in an approved bank before the date of the next succeeding installment and may be withdrawn only for payment of future subscriptions.(b) where any property is accepted in lieu of the consolidated payment, it shall continue to remain as security for the due payment of future subscriptions.

## **Chapter VI**

### **Transfer**

#### **28. Restrictions on transfer of rights of a foreman.**

(1) No transfer of the rights of a foreman to receive subscriptions from prized-subscribers shall be made without the previous sanction in writing of the Registrar. (2) Any non-prized subscriber or unpaid prized subscriber claiming that his interest would be pre-judicially affected by any such transfer, may apply to the Registrar for setting aside the transfer and the Registrar on being satisfied in that behalf may, for reasons to be recorded, set it, aside. (3) In any proceedings under sub-section (2) the burden of proving that the transfer is not likely to effect pre-judicially the interest of any subscriber challenging it shall be on the transferee.

#### **29. Transfer of nonprized subscribers right to be in writing.**

- Every transfer by a non-prized subscriber of his rights in the chit shall be in writing duly attested by at least two witnesses and shall be filed with the foreman.

#### **30. Recognition of transfer by the foreman.**

- Every transfer under section 29 shall be recognized by the foreman, unless he considers that the transferee is not solvent or the transfer is likely to defeat the provisions of any law for the time being in force.

#### **31. Entry of transferee's name in the book.**

- Every transfer referred to in section 28 or section 29 shall be entered by the foreman in the books of the chit forthwith, and a true copy of such entry shall be filed by the foreman with the Registrar within fourteen days from the date of making such entry along with a certificate that a copy of the bye-law's of the chit and the chit agreement certified as true copy have been furnished to the transferee concerned.

## **Chapter VII**

### **Termination of Chits**

#### **32. Provisions for continuation of chits in certain cases.**

(1) Where the foreman who is an individual dies or becomes of unsound mind or is otherwise incapacitated, the chit may be continued in accordance with the provisions of the chit agreement where the agreement so provides. (2) In the case of a foreman which is a firm if a partner dies, becomes of unsound mind or is otherwise incapacitated the chit shall not be deemed to have

terminated and the surviving partner or partners shall conduct the chit in the absence of any provisions to the contrary in the chit agreement.

### **33. Termination of chit.**

- A chit shall be deemed to have terminated -(a)when the period fixed in the chit agreement has expired, provided payment of dues to all the subscribers has been completed ; or(b)when all the non-prized and unpaid prized subscribers consent in writing to the termination of the chit and a copy of such consent is filed as required by section 34; or(c)when a foreman, who is an individual, dies, becomes of unsound mind or is otherwise, incapacitated, and the chit agreement does not provide for the continuation of the chit or when the partner of a foreman which is firm dies or becomes of unsound mind or is otherwise incapacitated and the chit agreement provides for the discontinuation. of the chit in such an event.

### **34. Filing of consent with Registrar.**

- A true copy of every consent mentioned in sub-section (1) of section 20 or in clause (b) of section 33 with the date of such consent, shall be filed by the foreman or by the remaining foreman or foremen with the Registrar within fourteen days from the date of such consent.

### **35. Refund of non-prized subscribers contributions.**

- Except in the cases referred to in clauses, (a) and (b) of section 33 -(1)every non-prized subscriber shall, unless otherwise provided for in the chit agreement, be entitled to get back his contribution at the termination of the chit without deduction for dividend, if any, received by him :Provided that any persons to whom the rights of a non-prized subscriber are transferred under section 29, shall in addition to his own contributions, be entitled, unless otherwise provided for in the chit agreement, to get back the contributions made by such nonprized subscriber ;(2)if the chit terminates on a date earlier than the date originally fixed in the chit agreement, the non-prized subscriber's, claim shall be deemed to have arisen on the date on which he has received a notice of such termination.

### **36. Subscribers dues to be first charge on chit assets.**

- Where there are debts due from the foreman of a chit in relation thereto and also other debts due from him, the chit debts due to, the subscribers shall be first charge on the chit assets.

## **Chapter VIII**

## **Inspection of Documents**

### **37. Foreman to allow subscribers to examine chit records.**

- Every foreman shall, on payment of such fee not exceeding five rupees as may be specified in the chit agreement, allow nonprized and unpaid prized subscribers all reasonable facilities on all days of drawing of chits or, on such days and within such hours as may be provided for in the chit agreement for the inspection of security bonds and documents, receipts and other records taken from the prized subscribers or furnished by the foreman himself in his capacity as a subscriber and all chit records including books of account and pass books, the balance-sheets and profit and loss accounts and such other records as may show the actual financial position of the chit scheme.

### **38. Preservation of chit records by foreman.**

- All records pertaining to a chit shall be preserved in tact by the foreman and, kept for a period of six years from the date of the termination of the chit.

### **39. Inspection of chit books and records.**

(1)The Registrar or any other officer authorized by him in this behalf may inspect the chit books and all records relating to the chit.(2)Every foreman shall be bound to produce the chit books and records before the Registrar or the officer authorised under subsection (1) at such time and place as he may require and shall furnish to him any other information as he may require :Provided that such inspection may be made at the premises of the foreman if he pays in advance such fees as may be prescribed for the inspection :Provided further that if the foreman is a banking company as defined in the Banking Companies Act, 1949, such inspection shall be made only at the premises of the Company and only on a working day and such foreman shall pay such fees as may be prescribed for the inspection.(3)Any officer mentioned in sub-section (1) may impound and retain in his custody for such period as he thinks fit any books of account or other documents produced before him :Provided that such officer shall not -(a)impound any books of account or other documents without recording his reasons for so doing; or(b)retain in his custody any such books or documents for a period exceeding fifteen days excluding days falling on holidays save for adequate and exceptional reasons to be recorded and in the case of an officer other than the Registrar, without obtaining the written approval of Registrar in that behalf.

## **Chapter IX**

### **Winding Up of Chits**

#### **40. When chit may be wound up.**

- A chit may be wound up by the prescribed authority having jurisdiction over the place where the chit has been registered-(a)if the chit has terminated under clause (c) of section 33; or(b)if the foreman fails to give the security specified, in section 14 or it he commits any such act in respect thereto as is calculated to impair materially the nature of the security or the value thereof; or(c)if he

fails to deposit the chit money in accordance with the provisions of this Act; or(d)if it is proved to the satisfaction of the prescribed authority that the foreman is unable to pay the amounts due to the subscribers ; or(e)if execution or other process issued on a decree or order of any court in favour of any subscriber in respect of amounts due to him from the chit is returned unsatisfied in whole or in part ; or(f)if it is proved that there has been fraud or collusion on the part of the foreman in the matter of taking securities from prized subscriber; or(g)if the foreman has appropriated the prize amount in his capacity as a subscriber without furnishing sufficient security for future subscriptions; or(h)if it is otherwise just and equitable that the chit should be wound up.Explanation. - For the purposes of clause (d), in determining whether the foreman is unable to pay the amounts due to the subscribers, the prescribed authority, shall take into account his contingent and prospective liabilities in respect of the chit :Provided that a chit conducted by a company within, the meaning of the Companies Act, 1956, may be wound up only by the Court having jurisdiction under that Act.

#### **41. Windings up application.**

- The application to the prescribed authority or court, as the case may be, for the winding up of a chit shall be by a petition presented by any non-prized subscriber or unpaid prized subscriber or by the Registrar, signed and verified in the manner prescribed by the Code of Civil Procedure, 1908 (Act V of 1908), and shall contain such particulars as may be prescribed :Provided that no application for the winding up of a chit under clause (d) or clause (h) of section 40 shall be unless such petition is presented -(a)by such non-prized subscriber and unpaid prized subscribers whose subscriptions to the chit amount in the aggregate to not less than twenty-five per cent of the amounts contributed by all the non-prized subscriber and unpaid prized subscriber; or(b)by or with the previous sanction of the Registrar.Explanation. - For the purposes of the proviso, a subscriber of a fraction of a ticket shall be deemed to be a subscriber only to the extent of such fraction.

#### **42. Insolvency or liquidation a bar to winding up proceedings.**

- Notwithstanding anything contained in sections 40 and 41, no petition for the winding up of a chit shall be entertained by the prescribed authority or a court under section 40 if proceedings under the Provincial Insolvency Act, 1920, are pending against the foreman for adjudicating him an insolvent or where the foreman is a company, if proceedings for winding up the company are pending against such company under the Companies Act, 1956.

#### **43. Commencement and effect to winding up order.**

- An order for the winding up of a chit shall operate in favour of all the subscribers to whom amounts are due from the chit and it shall be deemed to have effect from the time of the presentation of the application for the winding up.

#### **44. Interim Receiver and stay of other proceedings.**

- The prescribed authority or court may, upon the application of the foreman or of any subscribers

to whom amounts are due in respect of the chit at any time after the presentation of the application for the winding up of a chit under this Act, make an order for the appointment of an Interim Receiver or an order staying further proceedings in any suit or proceeding instituted against the foreman for the realisation of amounts due in respect of the chit upon such terms as the prescribed authority or court thinks fit.

#### **45. Power of court on hearing the application.**

- On hearing the application, the prescribed authority or court may dismiss it with or without costs or adjourn the hearing conditionally or unconditionally or make an interim order or any other order as it may deem fit.

#### **46. Chit assets to vest in prescribed authority or court for distribution.**

- On the making of an order for the winding up of a chit, the entire chit assets shall vest in the prescribed authority or court, as the case may be, for distribution amongst the subscribers to whom amounts are due in respect of the chit and such prescribed authority or court shall appoint a Receiver and pass such other orders in the matter as it deems fit.

#### **47. Suits, etc. stayed on winding up orders.**

- Where a winding up order has been made by the prescribed authority or a court, no suit or other legal proceedings shall be continued or commenced against the foreman by a subscriber for the realization of amounts due to him in respect of the chit except with the leave of the prescribed authority or court and on such terms as the prescribed authority or court may impose.

#### **48. Copy of order to be filed with Registrar.**

(1) On the making of the winding up order, it shall be the duty of the petitioner in the winding up proceedings and of the Receiver to file with the Registrar a copy of the order, within one month from the date of the making of the order; Provided that the Registrar may upon application in writing by such petitioner or Receiver, allow, in his discretion, further time not exceeding fifteen days for the filing of any such copy. (2) On the filing of a copy of the Winding up order, the Registrar shall make an entry thereof in his books relating to the chit and shall notify the same in the official Gazette.

#### **49. Stay of winding up proceedings on insolvency foreman and transfer of insolvency proceedings.**

(1) Where during the pendency of the proceedings for the winding up of a chit, the foreman is adjudicated an insolvent or when the foreman is a company, the company has been ordered to be wound up under the Companies Act, 1956, the winding up proceedings under this Act, shall cease, and the distribution of the chit assets shall be subject to the provisions contained in section 36 and 44, be made by the insolvency court or the court winding up the company; as the case may be. (2) Where

insolvency proceedings against the foreman are pending in different courts, the High Court may transfer any proceedings from one court to another.

## **50. Compensation for frivolous or vexatious application.**

(1)Where an application presented for winding up a chit is dismissed and the prescribed authority or court is satisfied that the application is frivolous or vexatious, the prescribed authority or court may award against the applicant such amount, not exceeding five hundred rupees, as it considers to be reasonable compensation to the foreman for the expense or injury caused to him by the application and the proceedings thereon, and such amount may be realised as if the award were a decree.(2)The award of compensation under sub-section (1) shall bar any separate suit for compensation.

## **51. Right of appeal.**

(1)Any person aggrieved by a decision or order of the prescribed authority or of a court other than the High Court in proceedings for winding up a chit may, within a period of two months from the date of such decision or order prefer an appeal to the High Court.(2)Subject, to the provisions of sub-section (1) every decision or, order of the prescribed authority or Court in such proceedings shall be final.

## **52. Limitation.**

(1)Where an order refusing-to wind up a chit, has been made under this Act, the chit shall be deemed to have been under suspension from the date of the presentation of the application to the date of such order in respect of non-prized subscribers, and notwithstanding anything contained in the chit agreement, no non-prized subscriber who was not a defaulter on the date of the presentation of the-application for winding up shall be deemed to be a defaulter on the date of its dismissal.(2)Where an order refusing to wind up a chit has been made under this Act, in computing the period of limitation prescribed for any suit or other legal proceedings other than a suit or an application in respect of which the leave of the prescribed authority or Court, has been obtained, which might have, been brought or instituted, the period from the date of the presentation of the, application to the date of the order refusing to wind up the chit shall be excluded.(3)Nothing contained in this Act, shall affect the right of the subscriber to proceed by, suitor application against the foreman personally for the balance, if any, of the amount due to him after the declaration of the final dividend in proceedings for winding up the chit, and in computing the period of limitation prescribed for any such suit or application the period from the date of the presentation of the application for winding up the chit to the date of the declaration of the final dividend shall be excluded.

## **Chapter X**

### **Officer, Inspection and Fees**

### **53. Registrar and Auditors.**

(1)The State Government may be notification in the official Gazette, appoint a Registrar of Chits, and as many Additional, Joint, Deputy, and Assistant Registrar as may be necessary.(2)An Additional, Joint, Deputy, or Assistant Registrar Will perform under the general superintendence and control of the Registrar such functions of the Registrar under this Act as the Registrar may specify in that behalf.(3)The Registrar may appoint as many Chit Auditors as may be necessary for the purpose of discharging the duties imposed upon the Chit Auditors by or under this Act.(4)Where the Registrar is of the opinion that the accounts of any, chit are not properly maintained and that such accounts should be audited, it shall be Lawful for him to have such accounts audited by a Chit Auditor. It shall be the duty of the foreman of the chit concerned to produce before the Chit Auditor all accounts, books and other records relating to the chit, to furnish rum with Such information as may be required, arid to afford him all such assistance and facilities as may be necessary or reasonable and as may be required in regard to the audit of the accounts of the chit.(5)The foreman shall pay to the Chit Auditors such fees as may be prescribed for the audit of the account of chit under subsection (4).

### **54. Registrar to be corporate sole.**

- The Registrar of Chits shall be a corporate sole having perpetual succession and common seal with the power to acquire hold and dispose of property, and may sue and be sued in his corporate name.

### **55. Inspection of documents in the Registrar office.**

- Any person may, on payment of such fees as may be prescribed -(i)inspect any documents or record kept by the Registrar under this Act; and(ii)obtain a certified copy or extract of any such document on record.

### **56. Levy of fees.**

(1)There shall be paid to the Registrar such fees as may be prescribed; for -(a)the registration of the bye-laws of a chit under section 3;(b)the grant of a certificate of commencement under section 7;(c)filing with the Registrar of the chit agreement and copies of the documents under sections 12, 22, 23, 31 and 34 ;(d)the inspection of documents and record under section 55;(e)the certified copies or extracts of documents and records under section 55;(f)the audit of the accounts of the foreman and the issue of an audit certificate; and(g)such other matters as may be prescribed.(2)A table of the fees payable under sub-section (1), shall be published in the official Gazette.

## **Chapter XI**

### **Miscellaneous**



## 57. Appeals.

(1) Any foreman aggrieved by an order of the Registrar—(a) refusing to register the bye-laws of a chit under subsection (3) of section 3; (b) refusing to grant a certificate of commencement under sub-section (2) of section (7); (c) refusing to accept the security offered under clause (a) of sub-section (1) of section 14 or under section 25; (d) refusing to release the property charged by way of security or to order the release of the cash security or the Government securities under sub-section (4) or sub-section (5) of section 14; or (e) refusing sanction for transfer under sub-section (1) of section 28 may, within thirty days of the communication to him of such order, appeal to the State Government or to such officer or authority as may be empowered by the State Government in that behalf. (2) The State Government or such officer or authority, aforesaid may after giving the applicant and the Registrar or his representative an opportunity of being heard, pass such orders on the appeal under sub-section (1) as it or he thinks fit and the decision so given shall be final.

## 58. Powers of Registrar to condone delay in certain cases.

- The Registrar may, in his discretion and upon an application in writing by any foreman made within the period of fourteen days specified in sub-section (2) of section 22, sub-section (2) of section 23, section 31 or section 34, allow to the foreman further time not exceeding fifteen days to file a copy of any document under any of the provisions referred to above.

## 59. Penalties.

(1) Whoever contravenes or abets the contravention of any of the provisions of section 3 section 4 or section 7 shall be punishable with imprisonment for a term which may extend to two years or with fine which may extend to five thousand rupees or with both. (2) Any foreman who without reasonable cause—(a) fails to file the chit agreement or any alteration in or addition to it 'as required by section 6 or a copy of any document under section 12, sub-section (2) of section 22, sub-section (2) of section 23, section 31 or section 34 within the period specified for such filing or within the further time allowed under section 58 for such filing; or (b) otherwise contravenes any of the provisions of section 8, sub-sections (1) and (6) of section 14, section 16, section 17; section 18, section 22, section 23, section 24, section 25, sub-section (3) of section 27, section 31, section 37, section 38, section 39 and sub-section (4) of section 53; or (c) otherwise fails to comply with any of the requirements of the chit agreement regarding the date, time and place at which the chit is to be drawn; shall be punishable with imprisonment for a term which may extend to one year or with fine which may extend to one thousand rupees or with both. (3) Whoever in any document required by or for purposes of, any of the provisions of this Act willfully makes a false statement shall be punishable with imprisonment for a term which may extend to one year or with fine which may extend to five thousand rupees or with both. (4) The Registrar may either before or after the institution of proceedings compound by offence under this Act and accept such composition fee as he thinks fit, and thereupon the accused, if in custody, shall be discharged and no further proceedings shall be taken against him: Provided that no offence under sub-section (1) or sub-section (3) shall, be compounded by the Registrar without the approval of the State Government.

## **60. Cognizance of offences.**

- No court shall take cognizance of any offence punishable under this Act except on a complaint in writing by the Registrar.

## **61. Application of fines.**

- The court imposing any fine under this Act or the Registrar compounding an offence under sub-section (4) of section 59 may direct that the whole or any part of the fine realized may be applied in or towards payment' of the costs of the proceedings.

## **62. Power to enter and search any place and seize documents etc.**

(1)The Registrar may, with such assistance as he considers necessary, enter anyplace where he suspects any person is conducting or has conducted any chit in contravention of the provisions of this Act and inspect the books; registers; accounts or other documents that may be found in such place :Provided that if the Registrar, removes from the place any book, register, account or document he shall give to the person in charge of the place a receipt describing the book register account or document so removed by him:Provided further that within fifteen days of the removal of the books, registers accounts and documents from the place the Registrar shall either return them to the person from' whose custody they were removed after taking from such person such security as he considers necessary for the production of the books, registers, accounts and documents when required by him or may pass such orders as to their disposal as appear just and convenient to him.(2)The Registrar shall have authority to require any person who appears to him to have any information regarding and chit to attend before him or to produce or cause to be produced any document and to examine such person on oath.(3)The Registrar may apply for assistance to in charge of a police station and take any police officer to and assist him in performing his duties under this Act.

## **63. Payment to be evidenced by document.**

- All payments in respect of a chit, whether by the foreman or by the subscriber shall be evidenced by documents in writing.

## **64. Interest at more than twelve percent not to be allowed.**

- No court shall award interest on claims arising under this Act at more than twelve per cent per annum simple interest.

## **65. Power of court to grant relief in certain cases.**

- Nothing contained in the foregoing provisions of this Act shall affect; the powers vested in a court to grant any relief against any of the provisions contained in the Chit agreement if the same be

unconscionable or opposed to the provisions of any law.

## **66. Recovery of amounts due from a foreman.**

- All amounts due from a foreman to the Registrar or any other officer under this Act by way of any fee shall be recoverable as arrears of land revenue.

## **67. Application of the Act.**

(1)The provisions of this Act shall apply also to all chits started before the commencement of the Act provided that in the case of such Chits the persons responsible for starting or conducting the chit shall comply with the provisions of this Act Within three months from such commencement.(2)Nothing in this Act shall apply in respect of any chit the chit amount of which or where two or more chits are started or conducted simultaneously by the same foreman, the aggregate of the chit amounts of which does not exceed one hundred rupees.

## **68. Power to exempt.**

- The State Government may, by notification published in the official Gazette, exempt any person or class of persons to whom or any chit or class of chits to which, this Act applies from all or any of its provisions subject to such conditions as it may think fit and may cancel or modify any- such notification.

## **69. Power to make rules.**

(1)The State Government may by notification in the official Gazette make rules for carrying out the purposes of this Act.(2)In particular, and without prejudice to the generality of the foregoing power such rules may provide for or regulate -(a)all matters expressly required or allowed by this Act to be prescribed;(b)the manner in which general and special meetings of the general body of the subscribers shall be convened and held;(c)the matters in respect of which provision shall be made in the bye-laws of a chit and the, procedure to be followed in making, registering; altering and abrogating bye-laws and the conditions to be satisfied prior to such making registration, alteration in abrogation;(d)the particulars which every chit agreement shall contain ;(e)the method of valuation of grains by the Registrar in a grain chit for the purposes of security under section 14;(f)the restriction and conditions subject to which and the manner in which, any security given by a foreman under section 14 may be changed or substituted ;(g)the procedure to be followed by the Registrar for the release of security given by the foreman under section 14 ;(h)the maintenance of registers and books of accounts by the foreman, the safe custody of books, records and documents in the Registrar's office and also for the destruction of such books, records and documents as need no longer be kept;(i)the procedure to be followed for the winding up of a chit under Chapter IX; and(j)the auditing of the balance-sheets and profits and loss accounts of chits and the audit certificates.(3)All rules under this Act shall as soon as may be after they are made, be laid before each House of the State Legislature while it is in session, for a total period of thirty days in its one

session or more than one successive sessions and shall unless some later date is appointed take effect from the date of their publication in the Gazette subject to such modifications or annulments as the two Houses of the Legislature may during the said period agree to make, so, however, that any such modification or annulment shall be without prejudice to anything previously done thereunder.