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The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

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PART IV (A) — PROVINCIAL COUNCILS

Provincial Councils Notifications

EASTERN PROVINCE PROVINCIAL COUNCIL

Standard By-Law

BY virtue of power vested in me under Sub-section (1) of section 2 of the Local Government Institutions (Standard By-Laws) Act No. 6 of 1952 to be read with paragraph (a) of sub-section (1) of section 2 of the Provincial Councils Act, No. 12 of 1989 (Consequential Provisions) in pursuance of the powers conferred on me by sub-section (1) of section 123 of the said Pradeshiya Sabha Act, No. 12 of 1987 read with sub-section 2(1)(a) of the Provincial Councils Act, No. 12 of 1989 (Consequential Provisions) I, Professor Jayantha Lal Ratnasekera, Governor of the Eastern Province, under the subject of Local Government of the Provincial Council, do hereby announce that, the draft by-laws prepared by me, Professor Jayantha Lal Ratnasekera, are hereby published.

The Pradeshiya Sabhas are empowered by sections 126 of the said Act to be read with section 122 of the Pradeshiya Sabha Act No. 15 of 1987 to make by-laws containing the provisions contained in the said draft by-laws and these draft by-laws are the said local government authorities (standard by-laws) the Pradeshiya Sabhas of the Eastern Province are hereby authorized to accept subject to the provisions of sub-section (1) of section 3 of the (Standard By-Laws) Act.

Professor JAYANTHA LAL RATNASEKERA,
Honourable Governor,
Eastern Province.

Governor's Secretariat Office,
Lower Road, Orr's Hill,
Trincomalee,
On the day of December 20, 2024.



Standard by-law for issuing license for those involved in Money Lending Businesses with in the Pradeshiya Sabha divisions of the Eastern Province.

1. These standard by-laws are enacted under the authority vested by Sub-section XXXX of Section 126, of the Local Council Act No. 15 of 1987, read with Section 122 of the Act for the purpose of issuing licenses for persons engaged in money-lending businesses within the jurisdiction of the Pradeshiya Sabha.
2. (1) No person shall engage in a money-lending business within the jurisdiction of the Pradeshiya Sabhas without obtaining a valid license for the said purpose issued by the Chairman.
- (2) (1) Notwithstanding anything contained in Sub-section 1, these standard by-laws shall not apply to any money-lending, mortgage, or financial business conducted under a valid license obtained in accordance with the Pawnbrokers Ordinance No. 01 of 2015 (as amended by the Pawnbrokers Act No. 04 of 2014), Co-operative Societies (Amendment) Ordinance No. 10 of 1990, Statute No. 30 of 1988 Banking Acts, Agrarian Development Act No. 46 of 2000, Financial Leasing Act No. 56 of 2006, Finance Business Act No. 42 of 2011, Samurdhi Act No. 01 of 2013 (as amended by the Divi Naguma (Amendment) Act No 2 of 2017)
3. (1) Every person intending to operate a money-lending business within the jurisdiction of the Pradeshiya Sabhas must complete an application form as provided in the First Schedule and submit it to the Chairman, along with the relevant documents and a non-refundable application fee of Rs. 100,000.00.
- (2) Upon submission of a formal application to the council for a license, the application shall be referred to the committee under Sub-section (3), and the license shall be issued by the Chairman only based on the committee's decision.
- (3) Upon fulfilling the provisions outlined in these by-laws, the license issued by the chairman, based on the recommendation of the following committee, should align with the second schedule. The committee consists of nine members:
 - (a) The Vice Chairman
 - (b) Three members (with female representation)
 - (c) A Police Officer in Charge nominated by the Senior Superintendent of Police of the jurisdiction
 - (d) A member of the Housing and Community Development Committee
 - (e) The Secretary
 - (f) The Revenue Inspector
 - (g) A representative of the Assistant Commissioner of Local Government
- (4) A quorum of 2/3 is required for the committee to proceed. The chairman holds the deciding vote in case of a tie.

Application
Procedure

4. The following conditions must be met to obtain a license to operate a money lending business within the jurisdiction of the Pradeshiya Shabha area: Conditions to be fulfilled to obtain a licence
- (a) The applicant must be a Sri Lankan citizen and above 18 years of age.
- In the case of a multinational company, the applicant's shareholding must be considered.
- (b) The applicant must not have any prior convictions in Sri Lankan courts ((This must be confirmed by the Sri Lanka Police).
- (c) In order to open and maintain an office within the jurisdiction of the pradeshiya Shabha for the purposes of lending and recovering funds, it is required that documentation be submitted to demonstrate that ownership of the relevant premises has been established for a minimum of three years. If the property is (leasehold, the registered lease must also have a duration of at least three years.) Furthermore, sufficient parking space must be provided, ensuring convenient access to the office building.
- (d) The following information must be submitted: details about the assets, records of previous loans, registration information, details about the board of directors (if applicable), information on similar lending centers in other areas, and the income certificate obtained from the Divisional secretary. Additionally, any relevant documents related to the payment of income tax should be included.
- (e) A report confirming that the location is suitable secure building and secure for the protection of funds must be submitted.
- (f) A trade license obtained for the relevant location should be provided.
- (g) The following documents related to lending money must be prepared in All three languages, and a copy of each must be submitted with the application form through an affidavit:
- i. Application form to be submitted by the loan applicant.
 - ii. Agreement to be signed by the creditor and the borrower, outlining all conditions presented by the creditor regarding loan repayments.
 - iii. Receipt to be issued upon recovery of funds.
 - iv. An affidavit confirming that the interest charged for lending shall not exceed 3% per annum, as declared by the Central Bank.
 - v. Submission of a certified statement explaining the nature of the mortgage, security or sureties or guarantors to be kept for the loan amount granted.
 - vi. An affidavit outlining how the lender plans to recover the loan in case of default.
 - vii. In the event that a license issued for any money lending business has not been canceled, both prior to and following the expiration of its validity period, there shall be no requirement to resubmit documentation when applying for a new license for the upcoming year, provided there have been no changes to the details submitted in previous years. Additionally, an annual :financial report certified by a registered auditor must be submitted.
5. A license issued under these by-laws:
- a. The licensee shall not assign the license to any other person.

- b. the operation shall not be carried out at any place other than the place for which it is issued;
 - c. Unless earlier revoked, if the license was issued for a particular year it shall expire on the thirty first day of December of the same year.
6. Any person who conducts a money lending business shall carry out such business in accordance with the following conditions.
1. shall not lend or recover money at any place other than the place specified in paragraph 4(c);
 2. Shall not use any form other than the formats provided under paragraph (4) (g).
 3. The agreement to be signed with the borrower should be in three copies and one copy should be given at the same time to the borrower. The loan agreement should be given in the borrower's mother tongue (Sinhala / Tamil):
 4. The lender shall issue a receipt for every amount recovered from the borrower. The loan installment capital recovered, interest recovered and if there is a late fee charged for late payment, the late payment fee and the total amount collected should be clearly recorded on the said receipt.
 5. Loan recovery should be done on monthly basis.
 6. Provision should be made enabling the borrower to pay the loan capital installment, interest and other fees through a bank account or to pay in cash.
 7. The amount of money advanced and collected by the money lending business, along with the number of defaulters and the total amount due and payable must be submitted to the Chairman by the 10th day of January and July each year. A financial statement certified by an appointed auditor, or an affidavit if submitted by an individual, shall be included.
 8. The license must be prominently displayed at the lending location.
7. Any person carrying on a money-lending business shall take into account the borrower's ability to repay the amount to be provided as a loan in deciding the loan amount. An amount exceeding the repayment capacity according to an income statement approved by the Divisional Secretary, should not be provided as a loan.
8. In case of default by any borrower, it is an offense to threaten or force the borrower to repay the loan amount or to take any of his or her movable or immovable property by force or subject to emotional or mental abuse.
9. (1) Every person who carries on the business of lending money, must maintain accounts and books of accounts in relation to the business and must prepare annual statement of accounts at the end of the year and have the statements audited annually by a registered auditor. Annual statement of accounts in respect of a business
- (2) It shall be the duty of the person carrying on the money lending business to submit to the Chairperson a copy of the audited annual statement of accounts certified by the auditor within a month.
10. The Chairman or an officer authorized by him shall have the power to inspect, within the period, whether the conditions contained in these by laws have been properly followed at any place to which these by laws shall apply. Also, the owner of the money lending business or any person acting on his behalf must give permission for it and no person should attempt to prevent or interfere with those inspections. Power to inspect place of business

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| 11. | Where a permit has been issued under these by-laws in any area, if any of the conditions outlined in these by-laws have been breached, or if the chairperson believes that one or more conditions in these by-laws have been violated, the chairperson is authorized to issue a written notice specifying that the licensee must take all necessary actions to ensure compliance with the mentioned conditions and regulations set forth in the by-laws by a specified date. | Action for violation of conditions of license |
| 12. | Any person who receives a notice as described in section 11 must comply with the instructions in the notice before the specified date. If a request for an extension is made, the Additional time granted shall not exceed fourteen (14) days. | Need to act as specified |
| 13. | <p>(1) In cases where a person who has received a notice as described in section 11 fails to comply with the specified instructions by the given deadline or any extended date, the Chairman shall issue a written notice to the relevant location stating that the license is being revoked.</p> <p>(2) Notices of cancellation must be displayed in public places. (in all three languages)</p> <p>(3) If such notice remains unaddressed, and the operation continues an application for a winding-up order should be filed under section 167 of the Pradeshiya Sabha Act.</p> | Power to Cancel License in Case of Default |
| 14. | A fine of up to seven hundred and fifty rupees may be imposed for any act or omission that contravenes a by-law established by a local council, along with a written notice to the offender in the event of ongoing violations. Additionally, a competent court may impose an extra fine of up to two hundred and fifty rupees for each day that the contravention persists after the initial offense. | Penalties for violations of conditions |
| 15. | <p>In these standard by-laws, unless specified otherwise, the term "Person" includes any group of individuals, whether incorporated or not.</p> <p>"Borrower" will be the person who under these by-laws, has borrowed from a person who is operating a money lending business where the loan amount has been not been settled</p> <p>"Lender" means .a person carrying on any business of lending money to which these by laws apply;</p> <p>"Money Lending Business" refers to organizations providing money lending services that are not classified under the businesses specified in Section 2(1) of the aforementioned By-Laws and are operating within the Pradeshiya Sabha</p> | Interpretati ons |

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