

59. Restrictions on loans.— (1) A society shall not make a loan to any person or a society other than a member:

⁵⁵[Provided that the above restriction shall not be applicable to the Kerala State Co-operative Bank.]

Provided further that, with the general or special sanction of the Registrar, a society may make loans to another society.]

(2) Notwithstanding anything contained in sub-section (1), a society may make a loan to a depositor on the security of his deposit.

^{55A} (3) Granting of loans to members or to non-members under Sub-section (2) and recovery thereof shall be in the manner as may be specified by the Registrar.

SYNOPSIS

By exercising the powers contained in Section 101 Govt. have issued notifications relaxing the restrictions contained in Section 59 by S.R.O. 466/76 published in K.G.No. 18 dt. 4.5.76 Kerala State Co-op.Banks and Central Co-op. Banks by SRO No.1042/79 published in K.G.No.37 dt.18.7.79 Kottayam Co-op.Bank Ltd. and by SRO No.615/84 published in K.G.25 dt. 19.6.84 Primary Urban Co-op. Banks are exempted from the restrictions contained in sub-section (1) of Section 59.

Lending of money to non-members can be recovered . [*Vasudevan Pillai v. Kumarakam Central Vyavasaya Co-op.Society*, 1971 KLT 837].

If the society lends money to a non-member on the basis of an illegal contract, it can be recovered on the ground that the obligee made an implied contract to repay. [*Nabi Bakshi v. Mohammadi*, AIR 1929 Lah. 330].