Chapter III - Rights and Duties of Foreman

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Rights and Duties of Foreman (20 to 21)

20.Security to be given by foreman.- (1) For the proper conduct of the chit, every foremanshall, before applying for a previous sanction under section 4,-

(a) deposit in an approved bank an amount equal to the chit amount in the name of the Registrar;or

(b)transfer Government securities of the face value or market value (whichever is less) of not less than one and a half times the chit amount in favour of the Registrar; or

(c)transfer in favour of the Registrar such other securities, being securities in which a trustee may invest money under section 20 of the Indian Trusts Act, 1882 (2 of 1882)., of such value, as may be prescribed by the State Government from time to time.

Provided that the value of the securities referred to in clause (c) shall not, in any case, be less than one and a half times the value of the chit amount.

(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)The Registrar may, at any time during the currency of the chit, permit the substitution of the security:

Provided that the face value or market value (whichever is less) of the substituted security shall not be less than the value of the security given by the foreman under sub-section (1).

(4)The security given by the foreman under sub-section (1), or any security substituted under sub-section (3), shall not be liable to be attached in execution of a decree or otherwise until the chit is terminated and the claims of all the subscribers are fully satisfied.

(5)Where the chit is terminated and the Registrar has satisfied himself that the claims of all the subscribers have been fully satisfied, he shall order the release of the security furnished by the foreman under sub-section (1), or the security substituted under sub-section (3), as the case may be, and in doing so, he shall follow such procedure as may be prescribed.

(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 to which it relates and any dealing by the foreman with respect thereto by way of transfer or other encumbrances shall be null and void.

21. Rights of foreman.-

(1) 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 first installment without deduction of the discount specified in the chit agreement, subject to the condition that he shall subscribe to a ticket in the chit:

Provided that in a case where the foreman has subscribed to more than one ticket, he shall not be eligible to obtain more than one chit amount in a chit without discount;

(b)to such amount not exceeding five per cent of the chit amount as may be fixed in the chit agreement, by way of commission, remuneration or for meeting the expenses of running the chit;

(c)to interest and penalty, if any, payable on any default in the payment of installments and to such other amounts as may be payable to

him under the provisions of the chit agreement;

(d)to receive and realise all subscriptions from the subscribers and to distribute the prize amounts to the prized subscribers;

(e)to demand sufficient security from and prized subscriber for the due payment of future subscriptions payable by him.

Explanation.- A security shall be deemed to be sufficient for the purposes of this clause if its value exceeds by one-third, or if it consists of immovable properties, the value of exceeds by one-half, of the amount due from the prized subscriber;

(f)to substitute subscribers in place of defaulting subscribers; and

(g)to do all other acts that may be necessary for the due and proper conduct of the chit.

(2) Where any dispute arises with regard to the value of the property offered as security under clause (e) of sub-section (1), it shall be referred to the Registrar for arbitration under section 64.

Rights and Duties of Foreman (22 to 23)

22.Duties of foreman.-

(1) The foreman shall, on the prized subscriber furnish sufficient security for the due payment of future subscriptions, be bound to pay him the prize amount:

Provided that the prize subscriber shall be entitled to the payment of the prize amount without anysecurity whatsoever if he agrees to the deduction therefrom of the amount of all future subscriptions and in such a case, the foreman shall pay the prize amount to the prized subscriber within seven days after the date of the draw or before the date of the next succeeding installment,Whichever is earlier:

Provided further that where the prize amount has been paid to the prized subscriber under the first provison, the amount deducted shall be deposited by the foreman in an approved bank mentioned in the chit agreement and he shall not withdraw the amount so deposited
except for the payment of future subscriptions.

(2) If, owing to the default of the prized subscriber, the prize amount due in respect of any draw remains unpaid until the date of the next succeeding installment, the foreman shall deposit the prize amount forthwith in a separate account in an approved bank mentioned in
the chit agreement and intimate in writing the fact of such deposit and the reasons therefore to the prized subscriber and the Registrar:

Provided that where any prized subscriber does not collect the prize amount in respect of any instalment of a chit within a period of two months from the date of the draw, it shall be open to the foreman to hold another draw in

respect of such installment.

(3)Every payment of the prize amount or 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 the particulars of such payment or deposit shall be entered in the minutes of the proceedings of that draw.

(4)The foreman shall not appropriate to himself any amount in excess of what he is entitled to under clause (b) or clause (c) of sub-section (1) of section 21:

Provided that where the foreman is himself a prized subscriber, he shall be entitled to appropriate to himself the prize amount subject to his complying with the provisions of section 31: Provided further that the foreman may appropriate to himself the interest accruing on the amount deposited under the second proviso to sub-section (1)

(5)The foreman shall not admit any person as a subscriber to a chit, if by such admission, the total number of tickets mentioned in the chit agreement is increased.

(6)The foreman shall distribute among the subscribers, in accordance with the chit agreement, the dividend either in cash, grain or by way of adjustment towards the subscriptions payable for the next installment, if any.

23.Books, records, etc., to be kept by foreman.- The foreman shall maintain in his registered office, or as the case may be in the place or the principal place of his business, or, where the foreman has any branch office, sub-office or any place of business for the conduct of chit business in a State other than the State in which his registered office or the principal place of his business is situated, in such branch office, sub-office or place of business in respect of the business conducted in that State-

(a) a register containing-

(i) the names and full particulars of the subscribers in each chit together with the number of tickets held by each subscriber;

(ii) the dates on which the subscribers signed the chit agreement; and

(iii) in the case of an assignment of a ticket by a subscriber, the name and full address of the assignee with the date of assignment and the date on which the assignment had been recognised by the foreman;

(b) a book containing the minutes of the proceedings of each draw;

(c) a ledger containing-

(i) the amounts paid by the subscribers in each chit and the dates of such payments;

(ii) the amounts paid to the prized subscribers and the dates of such payments; and

(iii) in the case of any deposit in an approved bank mentioned in the chit agreement the date and the amount of such deposit;

(d) a register in the prescribed form showing the amounts deposited in approved banks as required under the provisions of this act in respect of all chits conducted by the foreman at his office; and

(e) such other registers and books in such form as may be prescribed by the State Government within whose jurisdiction the chit is conducted.

Rights and Duties of Foreman (24 to 26)

24.Balance sheet.- Without prejudice to the provisions of the Companies Act, 1956 (1 of 1956.),every foreman shall prepare and file with the Registrar within such item as may be prescribed, a balance sheet as on the last date of each calendar year, or as the case may be the financial year of the foreman, and a profit and loss account relating to the year of account, in the forms set out in Parts I and II of the Schedule or as near thereto as circumstances admit, in respect of the chit business and audited by auditors qualified to act as auditors under the Companies act, 1956, or by chit under appointed under section 61:

Provided that where a balance sheet is audited by an auditor qualified to act as auditor under the Companies Act, 1956 (1 of 1956.), a chit auditor appointed under section 61 shall have the right to audit the balance sheet at any time if so authorised by the Registrar in
this behalf.

25.Liability of foreman to subscribers.-

(1) Every foreman shall be liable to account to the subscribers for the amounts due to them.

(2) Where there is more than one foreman in a chit, each one of them jointly and severally and if the foreman is a firm or other association of individuals each one of the partners or individuals thereof jointly and severally and if the foreman is a company, the company as such, shall be liable to the subscribers in respect of the obligations arising out of the chit.

26. Withdrawal of foreman.-

(1) No foreman, or where there is more than one foreman in a chit, none of them shall withdraw from the chit until its termination unless such withdrawal is assented to in writing by all the non-prized and unpaid prized subscribers and a copy of such assent has been filed with the Registrar under section 41.

(2) The withdrawal from a chit of any one of the foremen shall not affect the security given by him under section 20 or section 31.