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இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

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Press Release

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Committee to inquire into and report on the irregularities and illegal activities of the Finance and Finance Leasing Businesses

In view of the recent developments in the finance leasing business, the Governor of the Central Bank of Sri Lanka appointed a three member committee to examine and report on the irregularities and illegal activities of the finance and finance leasing businesses, and to make recommendations to curtail such activities.

In response to the request made by the Committee, more than 200 views, proposals or complaints were received from the general public, civil organizations, financial sector associations and other interested parties in the finance business and finance leasing business. The Committee, having examined such representations, has completed the report, and the report was handed over to the Governor of the Central Bank of Sri Lanka on 07.07.2020.

The Committee has placed particular emphasis on the illegal and irregular activities in the finance leasing business and has identified two set of activities in the business of finance leasing that require attention, namely, activities of the registered finance business and the activities of the illegal operators.

Further, the Committee has identified that the activities emanating from the aforesaid categories mainly revolve around the problems related to the recovery of possession of equipment, abuse of the terms and conditions in the finance lease agreements entered into

between the lessor and the lessee, certain loopholes in the provisions of the Finance Leasing Act, No. 56 of 2000.

Accordingly, the Committee recommends short term and long term proposals of which the short-term proposals are expected to address the current problems by providing more efficient solutions to the problems identified and the long-term proposals mainly focus on amendments to the Finance Leasing Act.

Short Term Proposals	Long Term Proposals
<ol style="list-style-type: none"> 1. Prevention of the use of force in the possession of equipment 2. Abolition of illegal leasing institutions 3. Regulation of forms used for entering into finance lease 4. Awareness of the public and the police on finance leasing 5. Actively regulate the value paid by lessee for an equipment in a finance lease 6. Issuing directions related to “substantial failure” 7. Issuing directions defining the word “Notice” given under Section 39 of the Finance Leasing Act 8. Issuing directions to specify whether a facility is a hire purchase facility or a finance lease. 9. Regulation of penal rates 10. Regulation of valuation related to finance lease 	<ul style="list-style-type: none"> • Amendments are recommended to the Finance Leasing Act on the following aspects. <ol style="list-style-type: none"> 1. Expedite the process of recovery of possession of equipment through the court 2. Make the concealment of equipment, a criminal offense 3. Streamline provisions relating to “Offence” in the Finance Leasing Act 4. Prevent the use of the word “Leasing” by illegal operators 5. Transfer or assignment of lessee’s rights • Further, need for broader consumer protection in the financial sector has also been recommended.



Mr. K G P Sirikumara, Director, Legal and Compliance Department, Central Bank of Sri Lanka handing over the report to Prof. W D Lakshman, Governor of the Central Bank of Sri Lanka