LAW AND JUSTICE COMMISSION OF PAKISTAN

LAW REFORM REPORT NO. 139

Amendment in the Financial Institutions (Recovery of Finances) Ordinance, 2001
(Introducing Alternative Dispute Resolution Framework for Banking Disputes)

2026

Contents

Foreword

The Law and Justice Commission of Pakistan, in discharge of its statutory mandate to recommend legal reforms for improving the administration of justice, has undertaken a review of the Financial Institutions (Recovery of Finances) Ordinance, 2001 with a view to addressing delays in recovery proceedings before the Banking Courts and strengthening mechanisms for expeditious dispute resolution.

The persistent pendency of banking litigation has highlighted the need for institutional reforms to facilitate timely, efficient and cost-effective resolution of commercial disputes between financial institutions and borrowers. In many cases, such disputes are amenable to amicable settlement, including through restructuring or rehabilitation, provided that an appropriate statutory framework exists to support structured negotiation and mediation within the judicial system.

This Report proposes the insertion of section 10A in the Financial Institutions (Recovery of Finances) Ordinance, 2001 to introduce an Alternative Dispute Resolution framework within the Banking Court system. The proposed mechanism is designed to ensure that eligible disputes are referred to a multi-disciplinary ADR Committee comprising persons possessing legal, financial and commercial expertise, while preserving judicial oversight and due process safeguards.

The proposed framework seeks to reduce litigation backlog, improve recovery outcomes, and promote a culture of consensual dispute resolution in financial matters. It also ensures confidentiality of proceedings, time-bound resolution of disputes, and enforceability of settlements through decrees of the Banking Courts.

It is hoped that the proposed reform will contribute meaningfully towards enhancing efficiency in financial adjudication and strengthening institutional mechanisms for commercial justice in Pakistan.

Justice Yahya Afridi
Chairperson
Law and Justice Commission of Pakistan

<u>Background and Rationale for The Proposed Amendment</u>

(Insertion of Section 10A in the Financial Institutions (Recovery of Finances) Ordinance, 2001)

1. Introduction

The Financial Institutions (Recovery of Finances) Ordinance, 2001 provides the statutory framework for recovery of finances by financial institutions through Banking Courts. While the Ordinance was enacted to ensure expeditious recovery, practical experience has demonstrated that a significant number of cases involve commercial disputes capable of amicable resolution.

In order to enhance efficiency in financial adjudication and reduce litigation backlog, the Law and Justice Commission of Pakistan (the Commission) has examined the feasibility of introducing a structured Alternative Dispute Resolution (ADR) mechanism within the Banking Court system. This Report proposes the insertion of Section 10A to institutionalise such a mechanism.

2. Background of Consultative Process

The Commission undertook a consultative process involving stakeholders from the Ministry of Finance, Ministry of Law and Justice, State Bank of Pakistan, Pakistan Banks Association, Chambers of Commerce and Industry, members of the legal fraternity and other business organisations.

The stakeholders broadly identified delays in recovery proceedings, absence of institutional ADR mechanisms, and increasing litigation burden as key challenges. There was consensus that structured mediation and conciliation mechanisms, if embedded within the Banking Court system, could significantly improve dispute resolution outcomes.

3. Existing Legal Framework

Under the existing Ordinance, Banking Courts exercise jurisdiction over recovery suits filed by financial institutions. While provisions exist for trial, interim orders, and execution, there is no comprehensive statutory mechanism for court-annexed Alternative Dispute Resolution.

Although parties may independently settle disputes, such settlements lack a structured institutional framework ensuring judicial supervision, time-bound resolution, and enforceability through formal decrees.

4. Issues Identified in Banking Litigation

The following issues have been identified in the current system:

- Increasing backlog of recovery suits before Banking Courts;
- Delay in adjudication due to prolonged litigation stages;
- Absence of structured mediation or conciliation mechanisms;
- Limited opportunities for early settlement of commercially viable disputes;
- Inadequate mechanisms for restructuring financially distressed but viable businesses;
- High litigation costs and reduced commercial certainty.

5. Rationale for ADR Mechanism

The introduction of ADR is justified on the following grounds:

- A substantial number of disputes are settlement-prone;
- Early resolution improves liquidity in the financial sector;
- ADR reduces burden on Banking Courts;
- Structured negotiation facilitates business rehabilitation;
- Judicially supervised ADR ensures enforceability and legitimacy.

6. Salient Features of Proposed Section 10A

The proposed Section 10A introduces:

- Mandatory ADR referral for cases involving finance of PKR 50 million or above;
- Consent-based ADR referral for other disputes;
- Establishment of ADR Committees;
- Judicial oversight by Banking Courts;
- Time-bound proceedings;
- Confidentiality of proceedings;
- Enforceable settlement through decrees;
- Optional referral to accredited ADR Centres.

7. Approval and Recommendations of the Commission

The Commission, its 48th meeting held on 11th June 2026, approved the insertion of Section 10A in the Financial Institutions (Recovery of Finances) Ordinance, 2001 to establish a structured, court-supervised Alternative Dispute Resolution framework for banking disputes, with the objective of improving efficiency, reducing backlog, and promoting commercial settlement, and further resolved to recommend the proposed amendment to the Federal Government for consideration and initiation of appropriate legislative action.

<u>Draft Bill for The Proposed Amendment</u>

A

BILL

further to amend the Financial Institutions (Recovery of Finances) Ordinance, 2001

WHEREAS it is expedient further to amend the Financial Institutions (Recovery of Finances) Ordinance, 2001 (XLVI of 2001) in the manner and for the purposes hereinafter appearing:

It is hereby enacted as follows: -

1. **Short title and commencement**. - (1) This Act may be called the Financial Institutions (Recovery of Finances) Amendment Act, 2026.

(2) It shall come into force at once.

2. **Insertion of Section 10A, Ordinance XLVI of 2001.-** In the Financial Institutions (Recovery of Finances) Ordinance, 2001 (XLVI of 2001), after Section 10, the following new section 10A shall be inserted, namely: -

> **"10A. Alternative Dispute Resolution.—** (1) Notwithstanding anything contained in this Ordinance, where, in a suit for recovery instituted by a financial institution, the principal amount of finance availed by the defendant is Fifty Million Rupees or above, the Banking Court shall, after the defendant has filed an application for leave to defend within the prescribed time and the plaintiff has filed replication thereto, if any, refer the dispute to an Alternative Dispute Resolution Committee constituted under sub-section (2) for amicable settlement thereof:
>
> Provided that no matter involving allegations of fraud, forgery or willful default shall be referred to the Committee unless the Banking Court, having regard to the facts and circumstances of the case and for reasons to be recorded in writing, is satisfied that there exists a reasonable possibility of amicable settlement of the dispute through Alternative Dispute Resolution:
>
> Provided further that a reference to the Committee under this section shall not affect the power of the Banking Court to pass any interlocutory order under Section 16, as may be just and proper for securing the ends of justice or preventing abuse of the process of the Court;

Provided further that, instead of referring the dispute to the Committee, the Banking Court may, with the consent of the parties, refer the dispute for amicable settlement to an accredited ADR centre or any person or persons mutually agreed upon by the parties.

(2) The Banking Court shall constitute the Committee by nominating-

(a) a former Judicial Officer or an Advocate having experience in the practice of law, for a period not less than seven years, and having sufficient knowledge of banking laws, from a panel approved by the High Court concerned for the place where the Banking Court is situated, who shall act as Chairperson of the Committee;

(b) a person having experience in banking or finance for a period not less than seven years, to be nominated by the plaintiff from a panel approved by the Pakistan Banks Association for the place where the Banking Court is situated; and

(c) a person having experience in business, trade or commerce for a period not less than seven years, to be nominated by the defendant from a panel approved by the Chamber of Commerce and Industry of the district where the Banking Court is situated:

Provided that until the panels are approved, the Banking Court may constitute the Committee for the purpose of amicable settlement of the dispute by nominating a person having the qualifications specified in clause (a) and directing the parties to nominate persons having the qualifications specified in clauses (b) and (c).

(3) The Banking Court shall, together with a copy of the reference order, transmit copies of all relevant documents available on the record of the suit to the Chairperson of the Committee at the expense of the plaintiff, through any of its officers, by post, electronic means of communication or any other mode deemed appropriate, within seven (7) days of the making of the order of reference.

(4) Upon receipt of the reference, the Chairperson of the Committee shall convene a meeting of the Committee on a specified date and

time and shall require the parties to attend the proceedings of the Committee.

(5) The parties to the dispute may participate in the proceedings before the Committee either in person or through duly authorized agents or attorneys.

(6) The Committee may conduct its proceedings through physical or electronic means and regulate its own procedure subject to any rules made under this Ordinance.

(7) The Committee shall ordinarily hold its sittings at the place where the Banking Court concerned sits and, for this purpose, the Federal Government shall establish court-annexed ADR centres:

Provided that until the establishment of such centres, the Committee may hold its sittings at an accredited ADR centre at the expense of the plaintiff or at any office of the plaintiff situated in the district where the Banking Court is situated.

(8) The staff of the court-annexed ADR centre shall be appointed by the Law and Justice Division of the Federal Government and shall work under the administrative supervision and control of the Judge of the Banking Court concerned or, where there is more than one Banking Court, the senior-most Judge thereof.

(9) The Committee shall facilitate the parties in arriving at a settlement through negotiation, mediation, conciliation or neutral evaluation, as it deems appropriate.

(10) Where, during the proceedings, the Committee is satisfied that the defendant is commercially viable and that the temporary financial distress is capable of resolution through restructuring or rehabilitation, it may facilitate the parties in formulating a restructuring or rehabilitation plan.

Explanation I.-In determining whether restructuring or rehabilitation is feasible, the Committee may take into consideration the nature of default, financial conduct of the defendant, viability of the business, capacity for repayment, and other relevant factors.

Explanation II.-A restructuring or rehabilitation plan may include-

(a) rescheduling of payment obligations;
(b) restructuring of mark-up or repayment schedules;

(c) temporary deferment of recovery measures;
(d) revival arrangements for industrial or commercial concerns;
(e) management supervision mechanisms; or
(f) such other measures as may be agreed by the parties.

(11) Where the parties arrive at a settlement before the Committee, the settlement agreement shall be reduced into writing and signed by the parties and members of the Committee and, upon submission before the Banking Court, the Court shall pronounce judgment and pass a decree in terms thereof.

(12) No appeal or revision shall lie against a decree passed by the Banking Court under sub-section (11) in terms of the settlement between the parties.

(13) The Committee shall conclude the proceedings within sixty (60) days from the date of receipt of the reference unless the Banking Court, on the request of the Chairperson of the Committee and with the consent of the parties, extends the said period:

Provided that no extension beyond thirty (30) days shall be granted.

(14) Where no settlement is reached within the period specified in sub-section (13), or the Committee reports failure of the reference before expiry of such period, the proceedings before the Committee shall stand terminated and the Banking Court shall proceed with the suit in accordance with this Ordinance.

(15) Statements, admissions, proposals or offers made during proceedings before the Committee shall remain confidential and shall not be admissible in evidence for any purpose before the Banking Court or any other court, except with the consent of the parties.

(16) The Banking Court may, subject to any rules made under this Ordinance and any maximum limit prescribed thereby, determine the remuneration of the Chairperson and members of the Committee and specify the proportion in which the same shall be borne by the parties:

Provided that the Banking Court may, unless otherwise provided by rules, prescribe different remuneration for settlement and non-settlement of the dispute by the Committee.

(17) Notwithstanding anything contained in this section, the Banking Court or the Appellate Court may, at any stage of the proceedings, with the consent of the parties, refer the dispute, irrespective of the amount of finance availed, for amicable settlement to the Committee constituted under sub-section (2), an accredited ADR centre, or any person or persons mutually agreed upon by the parties, and the provisions of this section shall, mutatis mutandis, apply to such reference.”

STATEMENT OF OBJECTS AND REASONS

The Financial Institutions (Recovery of Finances) Ordinance, 2001, is intended to provide an expeditious mechanism for recovery of finances by financial institutions. However, a substantial number of banking disputes involve commercial issues that are amenable to amicable settlement, including restructuring or rehabilitation, but continue to remain pending before the Banking Courts, contributing to delays in recovery proceedings and increasing litigation.

The proposed Bill seeks to insert a new section 10A in the Ordinance to establish a structured Alternative Dispute Resolution framework, including mandatory referral of banking disputes involving finance of Fifty Million Rupees or above, and to provide for consensual referral of other disputes irrespective of the amount involved. The proposed mechanism provides for the referral of eligible disputes to an Alternative Dispute Resolution Committee comprising persons possessing legal, banking and commercial expertise for facilitating settlement through negotiation, mediation, conciliation or neutral evaluation.

The proposed framework preserves judicial oversight of the Banking Courts, provides safeguards in matters involving allegations of fraud, forgery or willful default, ensures confidentiality of proceedings, prescribes time-bound disposal of references, and makes settlements enforceable through decrees of the Banking Courts. The Bill also facilitates restructuring and rehabilitation of commercially viable businesses facing temporary financial distress.

The proposed amendment is intended to promote expeditious and cost-effective resolution of banking disputes in amicable manner, reduce litigation backlog, improve recovery of finances, and enhance commercial certainty.

The Bill seeks to achieve the aforesaid objects.

[redacted]
Minister for Finance and Revenue

Explanatory Notes to The Proposed Section 10A

Revised Provisions	Explanatory Notes
10A. Alternative Dispute Resolution. - (1) Notwithstanding anything contained in this Ordinance, where, in a suit for recovery instituted by a financial institution, the principal amount of finance availed by the defendant is fifty million rupees or above, the Banking Court shall, after the defendant has filed an application for leave to defend within the prescribed time and the plaintiff has filed replication thereto, if any, refer the dispute to an Alternative Dispute Resolution Committee constituted under sub-section (2) for amicable settlement thereof: Provided that no matter involving allegations of fraud, forgery or willful default shall be referred to the Committee unless the Banking Court, having regard to the facts and circumstances of the case and for reasons to be recorded in writing, is satisfied that there exists a reasonable possibility of amicable settlement of the dispute through Alternative Dispute Resolution: Provided further that a reference to the Committee under this section shall not affect the power of the Banking Court to pass any interlocutory order under section 16 as may be just and proper for securing the ends of justice or preventing abuse of the process of the Court; Provided further that, instead of referring the dispute to the Committee, the Banking Court may, with the consent of the parties, refer the dispute for amicable settlement	**Sub-section (1): Mandatory ADR referral** This sub-section provides for mandatory referral of recovery suits instituted by Financial Institutions, where the principal amount of finance availed by the defendant is Fifty Million Rupees or above, to an Alternative Dispute Resolution Committee after completion of pleadings relating to leave to defend and replication, if any. The provision is intended to promote early settlement of high-value banking disputes at a pre-trial stage and to reduce the burden of prolonged litigation from Banking Courts. The threshold of fifty million rupees has been proposed to balance institutional capacity with the need for effective dispute resolution. In view of the prevailing institution and pendency of cases before Banking Courts—particularly those presided over by District Judges handling the bulk of financial litigation—the framework is designed to ensure meaningful diversion of settlement-prone disputes without overwhelming ADR infrastructure. It is also notable that disputes involving claim of Hundred Million rupees and above fall within High Court jurisdiction (*See S. 2(b) of the Ordinance)*, whereas the present mechanism targets the primary docket of Banking Courts where pendency is most acute. Statistical data regarding institution, disposal, and pendency for the Year 2025 is annexed **as Annexure-A**. In smaller-value disputes, referral to ADR remains discretionary and subject

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to an accredited ADR centre or any person or persons mutually agreed upon by the parties.	to consent of the parties, thereby preserving flexibility. **First Proviso to sub-section (1): Exception for fraud, forgery and willful default** This proviso excludes matters involving allegations of fraud, forgery or willful default from mandatory referral to ADR, unless the Banking Court, for reasons to be recorded in writing, is satisfied that there exists a reasonable possibility of amicable settlement. The safeguard ensures that disputes involving serious allegations requiring detailed evidentiary examination remain primarily within judicial determination, unless settlement prospects justify otherwise. **Second Proviso to sub-section (1): Preservation of interlocutory jurisdiction** This proviso preserves the authority of the Banking Court to pass interlocutory orders under Section 16 for securing the ends of justice or preventing abuse of the process of the Court, notwithstanding referral of the dispute to ADR. It ensures that the ADR process does not impede urgent judicial intervention where necessary. **Third Proviso to sub-section (1): Alternative modes of ADR** This proviso enables the Banking Court, with the consent of the parties, to refer disputes for amicable settlement to an accredited ADR Centre or to any person or persons mutually agreed upon by the parties, instead of the ADR Committee. It introduces flexibility and strengthens party autonomy by allowing recourse to

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	alternative institutional or consensual dispute resolution mechanisms best suited to the nature of the dispute.
(2) The Banking Court shall constitute the Committee by nominating- (a) a former Judicial Officer or an Advocate having experience in the practice of law, for a period not less than seven years, and having sufficient knowledge of banking laws, from a panel approved by the High Court concerned for the place where the Banking Court is situated, who shall act as Chairperson of the Committee; (b) a person having experience in banking or finance for a period not less than seven years, to be nominated by the plaintiff from a panel approved by the Pakistan Banks Association for the place where the Banking Court is situated; and (c) a person having experience in business, trade or commerce for a period not less than seven years, to be nominated by the defendant from a panel approved by the Chamber of Commerce and Industry of the district where the Banking Court is situated: Provided that until the panels are approved, the Banking Court may constitute the Committee for the purpose of amicable settlement of the dispute by nominating a person having the qualifications specified in clause (a) and directing the parties to nominate persons having the qualifications specified in clauses (b) and (c).	**Sub-section (2): Constitution of ADR Committee** This sub-section provides for the constitution of a three-member Alternative Dispute Resolution Committee comprising legal, financial, and commercial expertise to facilitate informed and balanced dispute resolution. The composition ensures a multidisciplinary forum capable of achieving practical and commercially viable settlement outcomes. **Clause (a): Chairperson of Committee** This clause provides for the appointment of a former Judicial Officer or an Advocate with sufficient experience in the practice of law and knowledge of banking laws as Chairperson of the Committee. The inclusion of a legally trained Chairperson ensures procedural discipline and reinforces legal coherence within the ADR process. **Clause (b): Banking or Finance Expert** This clause provides for the nomination of a member having experience in banking or finance for a period not less than seven years, to be nominated by the plaintiff from an approved panel. The participation of a Banking Expert enhances financial assessment and strengthens the prospects of viable and sustainable settlement or restructuring. **Clause (c): Business and Commerce Expert**

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	This clause provides for the nomination of a member having experience in business, trade or commerce for a period not less than seven years, to be nominated by the defendant from an approved panel of the relevant Chamber of Commerce and Industry. The inclusion of commercial expertise ensures practical business insight, thereby improving the likelihood of workable and durable settlements. **Proviso to sub-section (2): Transitional arrangement** This proviso provides an interim mechanism for the constitution of the Committee until formal panels are approved by the competent authorities. It ensures continuity of ADR proceedings and prevents delays in implementation during the transitional phase.
(3) The Banking Court shall, together with a copy of the reference order, transmit copies of all relevant documents available on the record of the suit to the Chairperson of the Committee at the expense of the plaintiff, through any of its officers, by post, electronic means of communication or any other mode deemed appropriate, within seven days of the making of the order of reference.	**Sub-section (3): Transmission of record** This sub-section requires the Banking Court to transmit, together with the reference order, copies of all relevant documents available on the record of the suit to the Chairperson of the Committee. The provision ensures that the Committee is provided with a complete and timely record, enabling it to meaningfully engage in settlement facilitation on an informed basis.
(4) Upon receipt of the reference, the Chairperson of the Committee shall convene a meeting of the Committee on a specified date and time and shall require the parties to attend the proceedings of the Committee.	**Sub-section (4): Convening of proceedings** This sub-section obligates the Chairperson of the Committee to convene a meeting of the Committee on a specified date and time upon receipt of the reference and to require the parties to attend the proceedings. The provision ensures the prompt commencement of ADR proceedings and prevents

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	procedural delay or stagnation following referral by the Banking Court.
(5) The parties to the dispute may participate in the proceedings before the Committee either in person or through duly authorized agents or attorneys.	**Sub-section (5): Participation of Parties** This sub-section permits the parties to participate in the proceedings before the Committee either in person or through duly authorised agents or attorneys. The provision ensures procedural flexibility and facilitates access to ADR proceedings by reducing logistical and practical constraints, thereby promoting effective participation and engagement in the settlement process.
(6) The Committee may conduct its proceedings through physical or electronic means and regulate its own procedure subject to any rules made under this Ordinance.	**Sub-section (6): Procedure of Committee** This sub-section empowers the Committee to regulate its own procedure and to conduct proceedings through physical or electronic means, subject to any rules framed under the Ordinance. The provision introduces procedural flexibility, enabling the Committee to adopt efficient and context-appropriate methods for expeditious resolution of disputes, including the use of modern electronic communication tools.
(7) The Committee shall ordinarily hold its sittings at the place where the Banking Court concerned sits and, for this purpose, the Federal Government shall establish court-annexed ADR Centres: Provided that until the establishment of such centres, the Committee may hold its sittings at an accredited ADR centre at the expense of the plaintiff or at any office of the plaintiff situated in the District where the Banking Court is situated.	**Sub-section (7): Court-annexed ADR centres** This sub-section provides for the establishment of court-annexed ADR Centres by the Federal Government to facilitate and support ADR proceedings within the Banking Court system. The institutionalisation of such centres strengthens the infrastructure for structured settlement and promotes consistent, court-integrated dispute resolution mechanisms.

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	Proviso to sub-section (7): Interim arrangements for sittings This proviso provides transitional arrangements for the conduct of ADR proceedings until the formal establishment of court-annexed ADR centres. It ensures continuity and immediate operationalisation of the ADR framework by enabling proceedings to be held at accredited ADR Centres or other specified venues without delay.
(8) The staff of the court-annexed ADR centre shall be appointed by the Law and Justice Division of the Federal Government and shall work under the administrative supervision and control of the Judge of the Banking Court concerned or, where there is more than one Banking Court, the senior-most Judge thereof.	**Sub-section (8): Administrative support** This sub-section provides for the appointment of staff of the court-annexed ADR Centres by the Law and Justice Division of the Federal Government, while placing such staff under the administrative supervision and control of the concerned Banking Court. The arrangement ensures dedicated institutional support for ADR proceedings while preserving effective judicial oversight and operational discipline.
(9) The Committee shall facilitate the parties in arriving at a settlement through negotiation, mediation, conciliation or neutral evaluation, as it deems appropriate.	**Sub-section (9): Modes of ADR** This sub-section empowers the Committee to facilitate settlement through negotiation, mediation, conciliation, or neutral evaluation, as may be appropriate in the circumstances of the case. It promotes a flexible, non-adversarial approach to dispute resolution, enabling the parties to explore settlement options best suited to the nature of their commercial dispute. The proposed framework is deliberately distinct from arbitration, as it avoids an adjudicatory award that may itself become subject to further litigation. Instead, it is designed to remain facilitative, informal, and

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	settlement-oriented, thereby ensuring expeditious resolution without procedural complexity or attendant delays.
(10) Where, during the proceedings, the Committee is satisfied that the defendant is commercially viable and that the temporary financial distress is capable of resolution through restructuring or rehabilitation, it may facilitate the parties in formulating a restructuring or rehabilitation plan. *Explanation I.*-In determining whether restructuring or rehabilitation is feasible, the Committee may take into consideration the nature of default, financial conduct of the defendant, viability of the business, capacity for repayment, and other relevant factors. *Explanation II.*-A restructuring or rehabilitation plan may include- (g) rescheduling of payment obligations; (h) restructuring of mark-up or repayment schedules; (i) temporary deferment of recovery measures; (j) revival arrangements for industrial or commercial concerns; (k) management supervision mechanisms; or (l) such other measures as may be agreed by the parties.	**Sub-section (10): Restructuring and rehabilitation** This sub-section empowers the Committee, where appropriate, to facilitate restructuring or rehabilitation of commercially viable businesses experiencing temporary financial distress. It is intended to enable viable enterprises to be preserved through negotiated arrangements, thereby reducing avoidable liquidation and promoting efficient resolution of recoverable exposures. **Explanation I to sub-section (10): Criteria for restructuring** This Explanation sets out the relevant factors to be considered in determining the feasibility of restructuring or rehabilitation, including the nature of default, financial conduct of the defendant, viability of the business, and repayment capacity. These guiding considerations promote objective assessment and minimise the risk of arbitrary or inconsistent approach. **Explanation II to sub-section (10): Illustrative measures** This Explanation provides an indicative list of restructuring tools that may be employed, including rescheduling of payment obligations, adjustment of mark-up or repayment schedules, temporary deferment of recovery measures, revival arrangements, management supervision mechanisms, and other mutually agreed measures.

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	It facilitates practical and flexible settlement structures tailored to the financial realities of the parties.
(11) Where the parties arrive at a settlement before the Committee, the settlement agreement shall be reduced into writing and signed by the parties and members of the Committee and, upon submission before the Banking Court, the Court shall pronounce judgment and pass a decree in terms thereof.	**Sub-section (11): Settlement and decree** This sub-section provides that where the parties arrive at a settlement before the Committee, the settlement shall be reduced into writing, signed by the parties and members of the Committee, and upon submission before the Banking Court, shall be made the basis of a decree. The provision ensures that ADR settlements acquire the force of a judicial decree, thereby securing enforceability, legal certainty, and institutional legitimacy.
(12) No appeal or revision shall lie against a decree passed by the Banking Court under sub-section (11) in terms of the settlement between the parties.	**Sub-section (12): Finality of Settlement Decree** This sub-section provides that no appeal or revision shall lie against a decree passed by the Banking Court in terms of a settlement reached before the Committee. The provision ensures finality of consensual settlements and strengthens certainty, predictability, and confidence in the ADR mechanism by preventing further litigation over agreed outcomes.
(13) The Committee shall conclude the proceedings within sixty (60) days from the date of receipt of the reference unless the Banking Court, on the request of the Chairperson of the Committee and with the consent of the parties, extends the said period: Provided that no extension beyond thirty (30) days shall be granted.	**Sub-section (13): Time limit for ADR proceedings** This sub-section prescribes that the Committee shall conclude proceedings within sixty (60) days from the date of receipt of reference, extendable by a further period not exceeding thirty (30) days with judicial approval and consent of the parties. The provision is designed to ensure expeditious disposal of ADR

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	proceedings and to prevent undue delay in recovery litigation. **Proviso to sub-section (13): Limitation on extension** This proviso imposes an outer limit on any extension of time beyond the initial sixty-day period. It safeguards the integrity of the time-bound ADR framework by ensuring that proceedings remain strictly within defined temporal limits and are not prolonged indefinitely.
(14) Where no settlement is reached within the period specified in sub-section (13), or the Committee reports failure of the reference before expiry of such period, the proceedings before the Committee shall stand terminated and the Banking Court shall proceed with the suit in accordance with this Ordinance.	**Sub-section (14): Failure of ADR proceedings** This sub-section provides for termination of ADR proceedings upon failure of settlement or expiry of the prescribed period and restoration of ordinary proceedings before the Banking Court. This ensures automatic return of the matter to the Banking Court upon failure of settlement, preventing procedural deadlock.
(15) Statements, admissions, proposals or offers made during proceedings before the Committee shall remain confidential and shall not be admissible in evidence for any purpose before the Banking Court or any other Court, except with the consent of the parties.	**Sub-section (15): Confidentiality** This sub-section ensures confidentiality of ADR proceedings and prohibits use of statements or offers made during such proceedings as evidence in subsequent litigation, except with consent of the parties. Confidentiality encourages candid negotiations between parties and enhances the likelihood of settlement without fear of prejudice in litigation.
(16) The Banking Court may, subject to any rules made under this Ordinance and any maximum limit prescribed thereby, determine the remuneration of the Chairperson and members of the Committee and specify the proportion in which the same shall be borne by the parties:	**Sub-section (16): Remuneration** This sub-section empowers the Banking Court, subject to any rules made under the Ordinance and any maximum limit prescribed thereby, to determine the remuneration of the Chairperson and members of the Committee and to specify the proportion in which such

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Provided that the Banking Court may, unless otherwise provided by rules, prescribe different remuneration for settlement and non-settlement of the dispute by the Committee.	remuneration shall be borne by the parties. The provision establishes a structured and court-supervised mechanism for fixation of remuneration while ensuring that any prescribed limits are observed, thereby promoting transparency, proportionality, and cost discipline in ADR proceedings. **Proviso to sub-section (16): Differential Remuneration** This proviso authorises the Banking Court, unless otherwise provided by rules, to prescribe different remuneration for settlement and non-settlement of disputes referred to the Committee. The provision introduces flexibility in the remuneration framework and permits the adoption of incentive-based structures designed to encourage effective facilitation of settlement and efficient resolution of disputes.
(17) Notwithstanding anything contained in this section, the Banking Court or the Appellate Court may, at any stage of the proceedings, with the consent of the parties, refer the dispute, irrespective of the amount of finance availed, for amicable settlement to the Committee constituted under sub-section (2), an accredited ADR centre, or any person or persons mutually agreed upon by the parties, and the provisions of this section shall, mutatis mutandis, apply to such reference.	**Sub-section (17): Consensual ADR at any stage** This sub-section empowers the Banking Court or Appellate Court, with consent of the parties, to refer disputes to ADR at any stage of proceedings irrespective of the amount involved, thereby expanding opportunities for consensual settlement. This provision promotes party autonomy by allowing settlement at any stage of proceedings, thereby maximising opportunities for amicable resolution. It provides a discretionary mechanism whereby the Banking Court or the Appellate Court may, at any stage of the proceedings and with the consent of the parties, refer any matter to the Committee or to any mutually agreed person for amicable

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	settlement, irrespective of the amount involved.

Annexure - A

Data of Pendency in Banking Courts

	Name of Courts	Previous Pendency (Jan 25)	Institution during Year	Disposal during Year	Pendency (Dec 25)
1	Banking Court, Islamabad	370	439	373	436
2	Banking Court II, Islamabad	299	376	220	455
3	Banking Court-I, Lahore	716	623	701	733
4	Banking Court-II, Lahore	904	634	857	850
5	Banking Court-III, Lahore	422	1275	1504	412
6	Banking Court-IV, Lahore	454	474	592	495
7	Banking Court-V, Lahore	993	393	795	604
8	Banking Court-VI, Lahore	483	551	588	580
9	Banking Court-VII, Lahore	672	346	532	593
10	Banking Court-I, Gujranwala	742	437	511	727
11	Banking Court-II, Gujranwala	461	569	550	492
12	Banking Court-I, Faisalabad	1346	595	653	1288
13	Banking Court-II, Faisalabad	747	521	483	785
14	Banking Court - I, Bahawalpur	770	618	860	502
15	Banking Court - II, Bahawalpur	1550	798	1145	1222
16	Banking Court, Dera Ghazi Khan	618	658	739	616
17	Banking Court, Rawalpindi	291	852	769	373
18	Banking Court, Sargodha	751	321	418	732
19	Banking Court-I, Multan	875	720	686	979
20	Banking Court-II, Multan	1187	713	578	1401
21	Banking Court, Sahiwal	566	534	535	574
22	Banking Court, Hafizabad	564	252	362	487
23	Banking Court, T.T. Singh	491	257	428	337
24	Banking Court, Vehari	794	311	413	691
25	Banking Court, Sialkot	413	319	303	450
26	Banking Court-I, Karachi	809	447	545	711

Name of Courts		Previous Pendency (Jan 25)	Institution during Year	Disposal during Year	Pendency (Dec 25)
27	Banking Court-II, Karachi	673	507	567	717
28	Banking Court-III, Karachi	475	341	305	530
29	Banking Court-IV, Karachi	595	384	308	691
30	Banking Court-V, Karachi	426	502	449	510
31	Banking Court-I, Hyderabad	857	1033	369	1521
32	Banking Court-II, Hyderabad	1239	166	265	1140
33	Banking Court-I, Sukkur	1747	1523	1294	1976
34	Banking Court-II, Sukkur	398	183	166	418
35	Banking Court-I, Larkana	654	278	287	645
36	Banking Court-II, Larkana	661	54	77	640
37	Banking Court, Mirpurkhas	244	765	716	293
38	Banking Court, Shaheed Benazirabad	1355	792	321	1829
39	Banking Court, Ghotki	797	439	525	730
40	Banking Court-I, Peshawar	317	352	349	320
41	Banking Court-II, Peshawar	311	474	549	235
42	Banking Court, Abbottabad	209	368	248	335
43	Banking Court, Dera Ismail Khan	209	215	238	443
44	Banking Court, Quetta	228	181	192	199
45	Banking Court, Dera Allah Yar	132	28	38	112
Total		**29815**	**22618**	**23403**	**30809**

Note: *The difference is reported due to transfer, re-opening/restoration, remand and in cases where leave to appeal is granted.*

Capt. (R) Mushtaq Ahmed
Secretary
Law and Justice Commission of Pakistan