LAW AND JUSTICE COMMISSION OF PAKISTAN

LAW REFORM REPORT NO. 143

Amendment in Section 3A(1A) of the Banking Companies Ordinance, 1962

(Extension of the Jurisdiction of the Banking Mohtasib to Microfinance Banks and Institutions)

2026

Contents

Foreword

The Law and Justice Commission of Pakistan, in pursuance of its statutory mandate to examine existing laws and recommend reforms for improving the administration of justice, has considered a proposal for extending the jurisdiction of the Banking Mohtasib to microfinance banks and institutions through an amendment to section 3A(1A) of the Banking Companies Ordinance, 1962.

The proposal emanated from a stakeholders' consultation meeting convened on 30 April 2026 to deliberate upon legal and administrative reforms aimed at ensuring the efficient and expeditious resolution of banking disputes. During the consultation, it was observed that customers of microfinance banks and institutions presently do not have access to the grievance redress mechanism administered by the Banking Mohtasib.

Recognising the increasing importance of the microfinance sector in promoting financial inclusion and serving economically vulnerable segments of society, the Commission considered that customers of microfinance banks and institutions should have access to the same inexpensive, expeditious and effective grievance redress mechanism as is available to customers of scheduled banks. Accordingly, the Commission approved the proposal to amend section 3A(1A) of the Banking Companies Ordinance, 1962 so as to extend the jurisdiction of the Banking Mohtasib to microfinance banks and institutions.

It is hoped that the recommendation contained in this Report will strengthen consumer protection in the microfinance sector and contribute towards a more efficient, accessible and credible system for the resolution of microfinance banking disputes.

Justice Yahya Afridi
Chairperson
Law and Justice Commission of Pakistan

Background and Rationale for the Proposed Amendment

(Extension of the Jurisdiction of the Banking Mohtasib to Microfinance Banks and Institutions Through Amendment in Section 3A(1A) of the Banking Companies Ordinance, 1962)

1. Introduction

An effective banking system requires an accessible, inexpensive and efficient mechanism for the resolution of disputes between financial institutions and their customers. Prompt resolution of customer grievances not only enhances public confidence in the financial sector but also promotes transparency, accountability and consumer protection.

The Banking Mohtasib provides an independent and expeditious forum for redress of grievances against banks operating under the Banking Companies Ordinance, 1962. However, the existing statutory framework does not extend the jurisdiction of the Banking Mohtasib to microfinance banks and institutions licensed under the Microfinance Institutions Ordinance, 2001.

2. Background of the Proposal

On 30 April 2026, the Hon'ble Chief Justice of Pakistan/Chairman of the Law and Justice Commission of Pakistan convened a stakeholders' consultation meeting to deliberate upon legal and administrative reforms aimed at ensuring the efficient and expeditious resolution of banking disputes.

Representatives of the Ministry of Finance, Ministry of Law and Justice, State Bank of Pakistan, Pakistan Banks Association, Banking Mohtasib and other stakeholders participated in the consultation. During the deliberations, stakeholders proposed that the jurisdiction of the Banking Mohtasib should be extended to microfinance banks and institutions through appropriate amendments to the Banking Companies Ordinance, 1962.

The proposal was subsequently placed before the Commission at its 49th meeting held on 20 July 2026, for consideration and appropriate recommendation.

3. Existing Legal Framework

Part IVA of the Banking Companies Ordinance, 1962 establishes the office of the Banking Mohtasib and provides a specialised mechanism for the investigation and resolution of customer complaints against banks.

Section 3A(1A) specifies the provisions of the Ordinance applicable to microfinance banks licensed under the Microfinance Institutions Ordinance,

2001. Although several provisions of the Banking Companies Ordinance, 1962 presently apply to such institutions, Part IVA relating to the Banking Mohtasib is not included within the scope of section 3A(1A). Consequently, customers of microfinance banks and institutions are unable to avail themselves of the statutory grievance redress mechanism administered by the Banking Mohtasib.

4. Need for the Proposed Amendment

The Commission considers the proposed amendment necessary to strengthen consumer protection within the microfinance sector and to promote efficient resolution of customer grievances.

Microfinance banks and institutions perform an increasingly important role in promoting financial inclusion by extending banking and financial services to low-income individuals, small entrepreneurs and underserved communities. Customers of these institutions should have access to the same independent, inexpensive and expeditious grievance redress mechanism as customers of other banking institutions.

Extending the jurisdiction of the Banking Mohtasib would facilitate the timely and cost-effective resolution of complaints, reduce the need for prolonged litigation, and enhance public confidence in the microfinance sector without imposing any significant institutional burden.

The proposed amendment is limited in scope. It merely extends the applicability of Part IVA of the Banking Companies Ordinance, 1962 to microfinance banks and institutions and does not otherwise alter the existing legal framework governing the Banking Mohtasib.

5. Provision Requiring Amendment

Section 3A(1A) specifies the provisions of the Banking Companies Ordinance, 1962 that apply to microfinance banks licensed under the Microfinance Institutions Ordinance, 2001.

The Commission considered a proposal to amend section 3A(1A) of the Banking Companies Ordinance, 1962 by inserting the words "**and Part IVA**" after the words "**Part III**", and the words "**and institutions**" after the word "**banks**". The amendment would extend the applicability of Part IVA of the Ordinance, relating to the Banking Mohtasib, to microfinance banks and institutions, thereby providing their customers with access to an established, inexpensive and expeditious grievance redress mechanism.

Draft Bill for the Proposed Amendment

THE BANKING COMPANIES (AMENDMENT) BILL, 2026

A
BILL
further to amend the Banking Companies Ordinance, 1962

WHEREAS it is expedient further to amend the Banking Companies Ordinance, 1962, for the purpose of extending the applicability of the provisions relating to the Banking Mohtasib to microfinance banks and institutions and for matters connected therewith;

It is hereby enacted as follows: -

1. Short title and commencement. - (1) This Act may be called the Banking Companies (Amendment) Act, 2026.

(2) It shall come into force at once.

2. Amendment of section 3A of the Banking Companies Ordinance, 1962.- In the Banking Companies Ordinance, 1962 (LVII of 1962), in section 3A, in sub-section (1A), -

> "(a) after the words "Part III", the words "and Part IVA" shall be inserted; and
>
> (b) after the word "banks", the words "and institutions" shall be inserted."

STATEMENT OF OBJECTS AND REASONS

The Banking Companies Ordinance, 1962 provides a statutory mechanism for resolution of customer grievances through the office of the Banking Mohtasib under Part IVA of the Ordinance. However, the provisions relating to the Banking Mohtasib presently do not extend to microfinance banks and institutions licensed under the Microfinance Institutions Ordinance, 2001.

Microfinance banks and institutions play an important role in promoting financial inclusion by providing financial services to underserved segments of society. In order to strengthen consumer protection and provide customers of microfinance banks and institutions access to an established, inexpensive and expeditious grievance redress mechanism, this Bill proposes to extend the applicability of Part IVA of the Banking Companies Ordinance, 1962 to such banks and institutions.

For this purpose, section 3A(1A) of the Banking Companies Ordinance, 1962 is proposed to be amended by inserting the words **“and Part IVA”** after the words **“Part III”**, and the words **“and institutions”** after the word **“banks”**.

The proposed amendment is intended to facilitate timely and effective resolution of grievances between customers and microfinance banks and institutions, strengthen consumer protection, and enhance public confidence in the microfinance sector.

The Bill seeks to achieve the aforesaid objects.

[redacted]
Minister for Finance and Revenue

Recommendations of the Commission

After due deliberation, the Commission, at its 49th meeting held on 20 July 2026, approved the proposed amendment to section 3A(1A) of the Banking Companies Ordinance, 1962 for extending the jurisdiction of the Banking Mohtasib to microfinance banks and institutions.

The Commission was of the view that the proposed amendment would strengthen consumer protection in the microfinance sector and facilitate the timely, cost-effective and efficient resolution of grievances between customers and microfinance banks and institutions, thereby enhancing public confidence in the microfinance sector.

Accordingly, the Commission resolved to recommend the proposed amendment to the Federal Government for consideration and initiation of the appropriate legislative process.

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