

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2340
ANSWERED ON:14.03.2008
INTEREST ON VEHICLE LOAN
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Will the Minister of FINANCE be pleased to state:

- (a) whether the banks/private finance companies/financers are charging exorbitant rate of interest on vehicle loan from their customers;
- (b) if so, the details thereof; and
- (c) the measures taken/being taken by the Government against them in this regard ?

Answer

(MINISTER OF STATE IN THE MINISTRY OF FINANCE) (SHRI PA WAN KUMAR BANSAL)

(a), (b) and (c): With effect from October 18, 1994, RBI has deregulated the interest rates on advances above Rs.2 lakh and these interest rates are determined by the banks themselves with the approval of their Boards subject to their Benchmark Prime Lending Rate (BPLR) and Spread guidelines. Loans up to Rs.2 lakh carry the prescription of not exceeding BPLR. However, banks have the freedom to determine the rate of interest, without reference to BPLR regardless of size in respect of loans for purchase of consumer durables and other non-priority sector personal loans, which includes loans for purchasing of vehicles.

The above policy on interest rates relates to all scheduled commercial banks. There is no information available with respect to private finance companies/financers.