

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:101

ANSWERED ON:17.10.2008

COMPLAINTS AGAINST NBFC AND PRIVATE BANKS QUESTION

Barad Shri Jashubhai Dhanabhai

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has received complaints against the Non-Banking Financial Companies (NBFC) and private sector banks charging unduly high rates of interest from their borrowers and also regarding harassing them in various ways;

(b) if so, the details thereof;

(c) whether the Government proposes to fix maximum rate of interest for such institutions/banks and also issue directions to them in this regard; and

(d) if so, the time by which it is likely to be followed?

Answer

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

(a) to (d): Reserve Bank of India (RBI) receives complaints from the customers regarding charging of high rates of interest by the NBFCs and Scheduled Commercial Banks including Private Sector Banks in respect of various types of consumer loans, including vehicle loans, availed by them. It is stated that the RBI has not issued any directions/guidelines with regard to the rate of interest to be charged by the NBFCs. The loans and advances including interest will be governed by the terms and conditions of the agreement entered into between the company and the customer. However, in order to ensure transparency in the operations of the NBFCs, Bank has been putting in place appropriate mechanism. NBFCs have been advised to lay down appropriate internal policies and procedures for determining interest rates and processing and other charges as rates of interest beyond a certain level might be excessive and not sustainable nor conforming to normal financial practice (circulars are available on the RBI's website at www.rbi.org.in).

As regards the Scheduled Commercial Banks with effect from October 18, 1994 RBI has deregulated the interest rates on advances, including home loans, above Rs.2.00 lakhs and these interest rates are determined by the banks themselves with the approval of their Board subject to their Benchmark Prime Lending Rate (BPLR) and Spread guidelines. However, Banks have the freedom to determine the rate of interest without reference to BPLR and regardless of size in respect of loans for purchase of consumer durables and non-priority sector personal loans including credit card dues.

The RBI has no plans to fix maximum rate of interest for NBFCs. As stated above, the loans and advances including interest will be governed by the terms and conditions of the agreement entered into between the company and the customer.