

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:4511  
ANSWERED ON:20.08.2010  
INTEREST RATE ON HOME LOANS  
Mishra Shri Mahabal ;Singh Shri Ratan

**Will the Minister of FINANCE be pleased to state:**

- (a) whether the Public and Private Sector Banks and other financial institutions charged different rates of interest on the home loans for the construction of the first and second house;
- (b) if so, the details thereof alongwith the reasons therefor;
- (c) whether the Government has received complaints regarding malpractices and unfair trade activities of such banks and the financial institutions like charging of exorbitant rate of interest, deduction of insurance amount from the EMI without the consent of the customer, etc. in violation of home loan agreements;
- (d) if so, the details thereof for the last three years and as on date alongwith the status of such complaints/ grievances; and
- (e) the corrective steps taken/ being taken by the Government in this regard?

**Answer**

The Minister of State in the Ministry of Finance(Shri Namo Narain Meena)

(a) & (b): The Base Rate system has replaced the Benchmark Prime Lending Rate (BPLR) system with effect from July 1, 2010. Since the Base Rate is the minimum rate for all loans, banks are not permitted to resort to any lending below the Base Rate. Further, Indian Banks' Association (IBA) has reported that the interest rates are market determined and hence interest charged by banks on loans including home loans sanctioned at different points of time could be different. With effect from October 18, 1994 RBI deregulated the interest rates on advances above Rs.2 lakh and these interest rates were determined by banks themselves with the approval of their Boards. In terms of the new guidelines all categories of loans, including housing loans, will be priced only with reference to the Base Rate which have been announced by banks after taking approval from their respective Boards.

(c) to (e): Reserve Bank of India (RBI) has informed that 15 offices of Banking Ombudsmen (BO) situated in different part of the country have received few complaints in connection with levying of exorbitant rate of interest, deduction of insurance amount from the EMI without the consent of the customer in the housing loan area during the last three year period.

Further all the complaints received by 15 offices of Banking Ombudsmen spread over the country are entered in the software package Complaint Tracking System for monitoring purpose. All complaints received by 15 offices of BO are entered in the software package for monitoring purpose. Details of complaints received during last three years in the 15 offices of BOs are as under:

Year    No. of Complaints

2007-08    843

2008-09    5297

2009-10    6612

Besides, National Housing Bank (NHB) has reported that they have a complaint redressal cell in which complaints of borrowers against Housing Finance Companies (HFCs) are taken up and resolved. These loan related complaints primarily relate to interest rates, loan administration issues, post-repayment, default and reasons for rejection of loan applications. During the last three years following complaints have been received and redressed.

Year    Complaints    Complaints  
          Receieved    Addressed

2007-08 279 279

2008-09 399 399

2009-10 341 341