

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4539
ANSWERED ON:20.08.2010
COMPLAINTS AGAINST BANKS
Mohan Shri P. C.;Pandurang Shri Munde Gopinathrao

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has received complaints of corrupt practices being followed by banks and other housing finance companies such as levying of penalty despite early repayment of loan etc;
- (b) if so, the details thereof for the last three years and the current financial year, bank-wise and the reasons therefor alongwith the amount involved therein;
- (c) whether the Government has issued any guidelines to reverse such amount being collected by banks and other housing finance compnaies; and
- (d) the remedial measures taken/ being taken by the Governement in this regard?

Answer

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

(a) to (d): Reserve Bank of India (RBI) has informed that 15 offices of Banking Ombudsmen (BO) situated in different parts of the country have received few complaints in connection with levying of high charges on pre payment of loans including home loans. These prepayment charges, also termed as foreclosure charges, vary from bank to bank, starting from 0.59% onwards. Applicability of prepayment charges, foreclosure charges, etc are mentioned in the sanction letter and copy of the loan agreement signed by both the parties. Despite this, most of the borrowers were not aware of the prepayment charges in the loan product because they did not go through the loan documents carefully. As such, RBI has instructed the banks to keep borrowers well informed about such charges at the point of initiation itself.

RBI has further reported that in terms of Code 8.11.1 (a) of the "Code of Bank's Commitment to Customers" prepared by the Banking Code and Standards Board of India Ltd(BCSBI) in collaboration with RBI, Indian Banks Association and member banks, applicable to all the signatory banks to the BCSBI Charter in the country, "Banks are required to provide information at the time of sourcing of a loan product about , interalia, the pre payment options and charges, if any , or any other matter which affect the interest of the borrower so that a meaningful comparison with those of other banks can be made and informed decision can be taken by the customers". All complaints received by 15 offices of Banking Ombudsmen are entered in the software package titled "Complaint Tracking System` (CTS) for monitoring purpose. All complaints related to Loans & Advances including housing loans are put under the general category of "Loans/advances -General"or "Loans/advances Housing" in the CTS. As such, specific data of complaints against "Penalty on pre payment of loans including home loans" "is not available with RBI. 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