

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4645
ANSWERED ON:04.05.2012
HIDDEN CHARGES IN PRIVATE BANKS QUESTION
Agarwal Shri Rajendra

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has received any complaints regarding some private sector banks arbitrarily realizing interest and various types of hidden charges from the public on various loans ;
- (b) if so, the details thereof and the steps taken by the Government in this direction ;
- (c) whether the Government has put in place any mechanism to monitor and control the functioning of private sector banks ;
- (d) if so, the details thereof; and
- (e) if not, the reasons therefor ?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) to (e): With effect from September, 1999, banks are being given freedom to fix reasonable charges for various services rendered by them. Based on the recommendations of a Working Group, RBI had advised all scheduled commercial banks to identify basic banking services on broad parameters and principles to be adopted and followed by banks for ensuring reasonableness in fixing charges for basic banking services. Besides, the Fair Practices Code for lenders evolved by the Banking Codes and Standards Board of India (BCSBI) are also required to be framed by banks duly approved by their respective boards. Banks are also required to inform its customers charges and fees for processing as well as `all-in-cost` etc. to enable the customers to compare the charges with other sources of finance.

Under the Banking Ombudsman Scheme of RBI, complaints pertaining to deficiencies in banking services provided by private sector banks are resolved and penalties imposed on banks and compensation given to customers subject to limits stipulated. Under various provisions of Banking Regulation Act, 1949 and RBI Act, 1934, RBI monitors and supervises private sector banks through inspections, on site surveillance as well as post inspection follow-up of compliance.