

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2836
ANSWERED ON:29.08.2012
PRE PAYMENT OF HOME LOANS QUESTION
Ramkishun Shri

Will the Minister of FINANCE be pleased to state:

(a) whether the Government is aware of the decision of the Competition Commission of India (CCI) that in case of pre-payment of home loans by consumers, penalty can be charged from them; and

(b) if so, the details thereof and the steps taken by the Government in this regard?

Answer

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

(a) & (b) On the information filed by one Mr. Neeraj Malhotra, Advocate, the Hon'ble Competition Commission of India (CCI) on 2.12.2010, in case No. 5/2009 has decided that charging of pre-payment penalties by Banks/Housing Finance Companies (HFCs) is not violative of any of the provisions of Competition Act, 2002.

The Reserve Bank of India (RBI) regulator of Banking Sector and National Housing Bank (NHB) regulator of HFCs, have issued directions to banks/housing finance companies not to charge pre-payment penalties on pre-closure of housing loans granted by them on floating rate of interest basis to protect the home loan borrowers. NHB has also directed to HFCs not to charge pre-payment penalties in cases of fixed rate interest loans also provided the re-payment is made by the borrower from his own source.