

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3378

ANSWERED ON:12.12.2014

INTEREST RATE ON HOME LOANS

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Will the Minister of FINANCE be pleased to state:

(a) whether the Government has taken note of different rates of interest charged on home loans by public/ private sector banks and Life Insurance Corporation (LIC) in the country;

(b) if so, the details thereof along with the number of complaints received by the Government regarding the arbitrary interest rates on home loans provided by the Public and Private Sector Banks and LIC during the last three years;

(c) whether the Government has any proposal to monitor the unethical method of levying penal interest by the banks, LIC and other financial institutions for housing loans; and

(d) if so, the details thereof along with the other steps taken/ being taken by the Government in this regard?

Answer

The Minister of State in the Ministry of Finance (SHRI JAYANTSINHA)

(a)to(d): Reserve Bank of India (RBI) has deregulated the interest rate charged by Banks on disbursed. Banks determine their actual lending rates on loans and advances with reference to the Base Rate and other factors which are customer specific mainly relating to his ability to repay. Since, the Base Rate is the minimum rate for all loans, banks are not permitted to resort to any lending below the Base Rate.

RBI under the Banking Ombudsman Scheme through 15 Offices of Banking Ombudsmen situated across India handle complaints on various loan related issues under grounds of complaints specified under the Scheme. Delay in sanction, interest rates charged, disbursement or non-observance of prescribed time schedule for disposal of home loan applications are the ground of complaints. The number of complaints pertaining to Public Sector Banks received by offices of Banking Ombudsman in respect of home loan including different rates of interest during the last three years is annexed.

Further, National Housing Bank (NHB) is the regulator of the Housing Finance Companies (HFC including LIC Housing Finance). The number of complaints related to interest rate against HFCs during last three years are as under:

HFCs` Complaints Classification	2012-13	2013-14	2014-15
Of which, interest rate related complaints	99	89	36

RBI has permitted banks to formulate a transparent policy for charging penal interest with the approval of their Board of Directors. However, in the case of loans under priority sector, no penal interest is charged for loans upto Rs.25000/-. Penal interest can be levied for reasons such as default in repayment, non submission of financial statement etc. In any case, the policy on penal interest should be governed by well accepted principles of transparency, fairness, incentive to service the debt and due regard to genuine difficulties of customers.