

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3252
ANSWERED ON:01.08.2014
FORECLOSURE CHARGES
Azad Shri Kirti (JHA)

Will the Minister of FINANCE be pleased to state:

- (a) whether Reserve Bank of India (RBI) proposes to restrict foreclosure charges charged by Non Banking Financial Companies (NBFCs) on pre-payment of loans to a maximum of three per cent;
- (b) if so, the details thereof;
- (c) whether NBFCs are not following RBI guidelines in this regard; and
- (d) if so, the details thereof along with the steps taken/being taken by the Government in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SMT. NIRMALA SITHARAMAN)

(a) and (b): At present, Reserve Bank of India (RBI) does not propose to restrict foreclosure charges charged by the Non-Banking Financial Companies (NBFCs) on pre-payment of loans to a maximum of three percent. RBI has issued a circular dated 14.07.2014, to all Non-Banking Financial Companies / Residuary Non-Banking Companies with regard to levy of foreclosure charges / pre-payment penalty on Floating Rate Loans, as a measure of customer protection and also in order to bring in uniformity with regard to pre-payment of various loans by borrowers of banks and NBFCs, stipulating that NBFCs shall not charge foreclosure charges/ prepayment penalties on all floating rate term loans sanctioned to individuals borrowers, with immediate effect.

(c) and (d): Since, the RBI circular on levy of foreclosure charges/ pre-payment penalty on floating rate loans was issued only on 14.07.2014, RBI has not received any such data till date regarding NBFCs' non-compliance, of the directions issued recently.