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Title: Need to bring transparency in the interest rates charged by banks on various loans.

SHRI P.T. THOMAS (IDUKKI): Banks are charging compound interest for the loans instead of the simple interest they advertise. In that case, the Banks are expected to advertise their compound interest rate. Normally, Banks are advertising their simple interest rate. If a person takes a loan of Rs. 1 Lakh for the interest rate of 10% the bank can only charge Rs. 10000 for one year. However, some Banks are charging compound interest rate despite their commitment on simple interest given in their advertisement. In that case, they charge interest from the customers either monthly, quarterly or twice in a year and charge almost 13 % or 14% in effect. My submission is that in all such cases Banks should advertise that they charge compound interest rate. Similarly, in 2006 the Central Government has given 2% rebate to agricultural loans. But it is not being extended to the beneficiaries because of lack of clarity in interest calculation. Further, some banks charge more in the name of procedural expenses. They should not be allowed to charge additional charges. I request the Government should look into the matter and take immediate steps to address these concerns.