

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA
UNSTARRED QUESTION NO. †653

To be answered on the February 6, 2023/Magha 17, 1944 (Saka)

Bank Loans

†653. SHRI BHAGIRATH CHOUDHARY:

Will the Minister of FINANCE be pleased to state:

- (a) whether the banks solicit certain formalities from institutions and general public at the time of sanctioning of various loans in the country, if so, the details thereof;
- (b) whether it is true that while sanctioning loans to the general public by some private banks, an arbitrary amount i.e. 5 to 10 thousand rupees is being taken as file charge;
- (c) if so, whether the Government proposes to give relief to the common man by ensuring a fixed fees as file charge keeping in view the nature of the loan, if so, the details thereof;
- (d) whether sometimes even after giving photocopies and copies of necessary documents for taking loan by the common people, private banks are still charging Rs. 1500 to Rs. 2000 as document charge, if so, the details thereof;
- (e) whether while taking loan and getting back the deposit after repaying the gold loan, the debtor himself/herself has to pay the fee for checking and testing of gold and if so, the details thereof; and
- (f) whether it is fair for the banks to charge the said amount arbitrarily and if not, the corrective steps being taken by the Government to stop this practice?

ANSWER

THE MINISTER OF STATE FOR FINANCE
(DR. BHAGWAT KARAD)

(a): Banks take credit decisions based on their Board approved policies and extant regulatory guidelines of Reserve Bank of India (RBI). For sanctioning of loans, banks ask for submission of documents from borrowers and guarantors based on loan product, activity of borrower and purpose of loan including, *inter alia*, KYC documents, asset and liability statement, proof of income like IT returns etc, financial statements, documents related to securities offered like sale deed, encumbrance certificates etc, project report, techno economic viability report, quotations and estimates of supply, external rating, details of borrowings and statutory approvals.

(b) to (f): As per RBI master circular on customer service in banks, the decision to prescribe service charges rests with banks as per their Board approved policy and banks should ensure that the charges are reasonable and are not out of line with the average cost of providing these services. Also, RBI vide its guidelines on fair practice code for lenders, advised banks to inform 'all in cost' to the customer to enable him to compare the rates charged with other sources of finance. Further, with a view to bringing in fairness and transparency, banks are required to transparently disclose to the borrower all information about fees / charges including, *inter alia*, file charge, document charge, fee for checking and testing of gold payable for processing the loan application, the amount of fees refundable if loan amount is not sanctioned/ disbursed, pre-payment options and charges, penalty for delayed repayments, conversion charges for switching loan from fixed to floating rates or vice versa, existence of any interest reset clause and any other matter which affects the interest of the borrower. Such information should also be displayed and updated on the website of the banks for all categories of loan products and it should be ensured that such charges / fees are non-discriminatory.
