

DRAFT REPLY

LOK SABHA

STARRED QUESTION NO. ‡*59

Answered on the 24th July 2023/ Sravana 2, 1945 (Saka)

Fee Charged by Banks

‡*59. Shri Bhagirath Choudhary:

Will the Minister of FINANCE be pleased to state:

- (a) the details of formalities completed by various public and private banks of the country at the time of approving the various loans to the institutions and the common people;
- (b) whether some private banks are charging arbitrary amounts like Rs. 5,000 to Rs. 10,000 as file charges while approving the loans of common people;
- (c) whether the Government intends to give relief to the common people by prescribing a fixed fee for the amount to be recovered as file charge keeping in view the nature of loan;
- (d) whether the amount of Rs. 1500 to Rs. 2000 is being charged by the private banks in the name of documentation even after receiving the photocopies of the necessary documents for giving loans to the common people;
- (e) whether the gold loan borrowers have to pay the fee for testing and inspection of gold when they seek their collateral back after repayment of the loan and if so, the details thereof; and
- (f) whether the said arbitrary practice done by the banks is a fair practice and if not, the steps taken by the Government to stop them?

ANSWER

FINANCE MINISTER

(SMT. NIRMALA SITHARAMAN)

- (a) to (f): A statement is laid on the Table of the House.

Statement for Lok Sabha Starred Question no. *59 for 24th July 2023, regarding “Fee Charged by Banks” by SHRI BHAGIRATH CHOUDHARY, Member of Parliament

(a) to (f): 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.

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 and banks should also take care to ensure that customers with low volume of activities are not penalised. Further, banks, as per their Board approved policies, determine charges for testing and appraisal of gold ornaments with respect to gold loans.

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. 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, 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, and lenders should ensure that such charges / fees are non-discriminatory.
