

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF FINANCIAL SERVICES  
**LOK SABHA**

**UNSTARRED QUESTION No. 3975**

ANSWERED ON MONDAY, MARCH 28, 2022/CHAITRA 7, 1944 (SAKA)

**Service Charges on Loans**

3975. SHRIMATI QUEEN OJA: SHRI SHANKAR LALWANI: DR. BHARATIBEN DHIRUBHAI SHIYAL:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government is aware that the private banks and Non-Banking Financial Companies are charging service charges before the filing of any loan, from which they are getting crores of rupees every year without doing anything;
- (b) if so, whether the Government is contemplating to issue such guidelines in which service charge is taken only after the loan is sanctioned, so that the consumer does not suffer if the loan is not sanctioned;
- (c) if so, the details thereof; and
- (d) if not, the reasons thereof?

**Answer**

The Minister of State in the Ministry of Finance  
(DR BHAGWAT KARAD)

(a) to (d) The extant provisions / guidelines for charging of Service Fees by Banks, including Private Banks and Non-Banking Financial Companies (NBFCs) are as follows:

- (i) As per Reserve Bank of India (RBI)'s Master Circular on "Customer Service in Banks" dated July 1, 2015, banks are permitted to fix service charges on various services rendered by them, as per their Board approved policy, while ensuring that the charges are reasonable and not out of line with the average cost of providing these services. Banks have been advised to identify basic services and the principles to be adopted/ followed by them for ensuing reasonableness in fixing such charges. They are also advised to take steps to ensure that customers are made aware of the service charges upfront and changes in the service charges are implemented only with the prior notice to the customers.
- (ii) Further, as per RBI's Master Circular on "Loans and Advances – Statutory and other restrictions" dated July 1, 2015, with a view to bringing in fairness and transparency, banks are advised to keep the loan application forms comprehensive and transparently disclose all information about fees / charges payable for processing the loan application, the amount of fees refundable if loan amount is not sanctioned / disbursed, pre-payment options and charges if any, penalty for delayed repayments if any, 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 borrowers.
- (iii) As per extant RBI's Master Directions 2016, Non-Banking Financial Companies (NBFCs) are advised to serve notice to the borrower in the vernacular language or a language as understood by the borrower of any change in the terms and conditions including disbursement schedule, Interest Rates, Service Charges, Prepayment Charges etc. Further, Boards of NBFCs shall lay out appropriate internal principles and procedures in determining interest rates and processing and other charges by keeping in view the Fair Practices Code about transparency in respect of terms and conditions of the loans.