

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA
UNSTARRED QUESTION NO- 3653

ANSWERED ON MONDAY, AUGUST 11, 2025/SRAVANA 20, 1947 (SAKA)

LOANS SET-OFF FROM ASSETS OF COMPANIES

3653. DR. THIRUMAAVALAVAN THOLKAPPIYAN:

Will the Minister of FINANCE be pleased to state:-

(a) whether the Government is aware that the loan set-off right has been exercised by the Bankers on the liabilities recovery from any assets of customers under the control of Banker even though they are not subject to any specific lien, pledge, mortgage etc.;

(b) if so, the details thereof;

(c) whether any such law is there to set-off the loans from the assets of the group of companies of an individual or a family; and

(d) if so, the details thereof and if not, the reasons therefor?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI PANKAJ CHAUDHARY)

(a) to (d): As per inputs received from banks, the banker's right to set-off is generally exercised by virtue of the contractual arrangement made between the bank and the borrower/ guarantor, wherein the bank is entitled to exercise the right of set-off against the Borrower/ guarantor.

Further, in case of guarantee given by promoters/directors of a company in favour of the Bank for loan availed by such company, bank has right to recover/ set off the dues from the assets of the guarantor.

There is no specific legal provision to set-off loans from the assets of the group of companies of an individual or a family as debts between separate legal entities cannot be set-off against each other.

Furthermore, as per the Reserve Bank of India's Guidelines on Fair Practices Code for Lenders, lenders should release all securities on receiving payment of loan or realisation of loan subject to any legitimate right or lien for any other claim lenders may have against borrowers.
