GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA
UNSTARRED QUESTION NO. 1257

ANSWERED ON MONDAY, JULY 27, 2026/ SHRAVANA 5, 1948 (SAKA)

Transparency in Insurance Coverage and Home Loan Practices

1257. SMT. SMITA UDAY WAGH:

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has undertaken any assessment regarding public awareness about the distinction between deposit insurance, life insurance and accident insurance linked to bank accounts, if so, the details thereof;

(b) whether the Government proposes to strengthen disclosure norms to ensure that banks clearly inform customers about insurance coverage and voluntary enrolment under Government-backed insurance schemes, if so, the details thereof;

c) whether the Government has reviewed the practice of banks and housing finance companies requiring borrowers to purchase investment products or maintain deposits while sanctioning home loans, if so, the details thereof;

(d) whether any regulatory framework exists to prevent unfair cross-selling and ensure transparency in home loan sanction conditions, if so, the details thereof; and

(e) whether the Government proposes to issue uniform guidelines to protect borrowers from misleading practices and strengthen consumer awareness in banking services and if so, the details thereof?

ANSWER

THE MINISTER OF STATE FOR FINANCE
(SHRI PANKAJ CHAUDHARY)

(a) to (e): National Centre for Financial Education (NCFE), an organization promoted by Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), Insurance Regulatory and Development Authority of India (IRDAI) and Pension Fund Regulatory and Development Authority (PFRDA), is specifically formed to promote financial education across India for all sections of the population, and to create financial awareness and empowerment through campaigns, seminars, workshops, conclaves, training, discussion forums. Such campaigns are conducted with the help of financial institutions and other bodies, and include awareness about different financial products, including, *inter alia,* life insurance, accidental insurance and banking products. Further, Life Insurance Council and General Insurance

Council have launched insurance awareness programmes across the country to create awareness about insurance products, including, *inter alia,* life insurance, health and accidental insurance. Public awareness is also promoted by Deposit Insurance and Credit Guarantee Fund (DICGC) about deposit insurance from time to time.

Banks promote financial products and also create awareness about their features *e.g.* basic accidental death or permanent disability coverage provided free along with debit card, and voluntary government-backed insurance products, such as, Pradhan Mantri Jeevan Jyoti Bima Yojana, Pradhan Mantri Suraksha Bima Yojana, etc.

RBI has issued Master Directions regarding ‘Responsible Business Conduct’ and ‘Undertaking of Financial Services’ — with the focus on enhancing the level of customer service and ensuring fair conduct towards customers by banks, and to ensure uniformity in its guidelines to protect borrowers from misleading practices and strengthen customer awareness with respect to banking services.

As per the directions issued by RBI, banks are required to ensure that its policies and practices do not create incentives for mis-selling of products / services, whether its own or offered on behalf of a third-party. Banks are also directed to not resort to compulsory bundling of any product, including, *inter alia,* investment products, insurance products and deposits, with any of its own product/service, including, *inter alia,* home loans. However, if the sale of the bank’s own product / service is contingent on purchase of a third-party product, including, *inter alia,* insurance products, as a risk mitigant, customers are required to be provided the option to purchase the said product from any third-party product/service provider.

In order to prevent unfair mis-selling and promote transparency in banking services, including, *inter alia,* loan sanction conditions, RBI has directed banks to adopt a fair practice code and ensure that no incentive is directly or indirectly received by the bank’s employees from the third-party product/service provider for sale / marketing of any third-party product/service. Further, banks are required to establish a mechanism to seek feedback from customers within a specified timeline to ensure that customers have understood the features of the financial product / service and also the risks associated with such financial product / service. Customers may also lodge complaint regarding mis-selling of a financial product / service with the bank within the timeline specified by the respective financial sector regulators.

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