

# FIDC

## Finance Industry Development Council

*(A Representative Body of NBFCs in India)*

101/103, Sunflower, 1<sup>st</sup> Floor, Rajawadi Road No.2, Ghatkopar (East), Mumbai – 400 077

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[www.fidcindia.org.in](http://www.fidcindia.org.in)

December 14, 2023

The Chief General Manager,  
Department of Regulation,  
Central Office,  
Reserve Bank of India,  
12<sup>th</sup> Floor, Central Office Building,  
Shahid Bhagat Singh Marg, Fort,  
Mumbai – 400 001

Dear Sir

**SUB: “Circular on Fair Lending Practice - Penal Charges in Loan Accounts”**

**Ref: Circular DoR.MCS.REC.28/01.01.001/2023-24 dt 18<sup>th</sup> August, 2023**

We invite a reference to our letter dated May 13, 2023 regarding the changes to Fair lending practices – Penal charges. A copy of our letter is **enclosed** for ready reference.

We had requested to clarity on several matters and would request the RBI to kindly clarify on these concerns, since the implementation date is approaching and system changes have to be implemented by many of our members. Kindly consider the following:

**(I) consider substitution of the words “Penal Charges” to “Penal Interest” to avoid the GST burden to the customer**

**(II) consider a cap on the rate of Penal interest by adding that the penal interest shall be based on the entire outstanding amount of the loan**



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**(III) consider dropping the proposal to reset the interest rate arising out of default, to avoid dispute with the customer as the contract can be modified by mutual consent only**

**(IV) clarify the materiality concept to levy the Penal interest to bring in transparency to the customer.**

We request you to kindly guide our members on the aforesaid points.

We are hopeful that the suggested measures will better enhance the protection to the customers.

We also like to take this opportunity to seek a meeting with you, to give a detailed briefing regarding the rationale behind these requests. We may schedule this meeting at the date and time most convenient to you. We look forward to hearing from you.

Thanking you in anticipation

Regards

**For Finance Industry Development Council**

**MAHESH THAKKER  
DIRECTOR GENERAL  
9820035553**



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