



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
www.rbi.org.in

RBI/2014-15/121

DNBS(PD).CC.No.399/03.10.42 /2014-15

July 14, 2014

All Non Banking Financial Companies /
Residuary Non Banking Companies

Dear Sirs,

Levy of foreclosure charges/pre-payment penalty on Floating Rate Loans

Please refer to paragraph (iii) of Guidelines on Fair Practices Code for NBFCs issued vide [Circular DNBS\(PD\) CC No. 80/03.10.042/2005-06 dated September 28, 2006](#) and [paragraph 2\(A\) \(iii\) of Master Circular DNBS\(PD\).CC.No.388 /03.10.042/2014-15 dated July 1, 2014](#).

2. As a measure of customer protection and also in order to bring in uniformity with regard to prepayment of various loans by borrowers of banks and NBFCs, it is advised that NBFCs shall not charge foreclosure charges/ pre-payment penalties on all floating rate term loans sanctioned to *individual borrowers*, with immediate effect.

Yours faithfully,

(K.K. Vohra)
Principal Chief General Manager