



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

RBI/2019-20/29

DBR.Dir.BC.No.08/13.03.00/2019-20

August 02, 2019

All Scheduled Commercial Banks  
(Excluding RRBs)  
All Small Finance Banks  
All Local Area Banks

Dear Sir / Madam

**Levy of Foreclosure Charges /Pre-payment Penalty on Floating Rate Term Loans**

Please refer to our [circulars DBOD.No.Dir.BC.107/13.03.00/2011-12 dated June 5, 2012](#) and [DBOD.Dir.BC.No.110/13.03.00/2013-14 dated May 7, 2014](#), in terms of which banks are not permitted to charge foreclosure charges / pre-payment penalties on home loans / all floating rate term loans sanctioned to individual borrowers.

2. In this connection, it is clarified that banks shall not charge foreclosure charges/ pre-payment penalties on any floating rate term loan sanctioned, for purposes other than business, to individual borrowers with or without co-obligant(s).

Yours faithfully,

(Dr. S. K. Kar)  
Chief General Manager