

December 19, 2008

All State Co-operative Banks (StCBs) and
Central Co-operative Banks (DCCBs)

Dear Sir,

Disclosing all information relating to processing fees / charges

Please refer to paragraph 4 of our circular RPCD.CO.RF.BC.No.93/ 07.38.01/2006-07 dated May 16, 2007 regarding complaints about excessive interest charged by banks, wherein State and Central Co-operative Banks were advised to lay down appropriate internal principles and procedures so that usurious interest, including processing and other charges, are not levied by them on loans and advances.

2. It has come to our notice that some banks levy in addition to a processing fee, certain charges which are not initially disclosed to the borrower. It may be mentioned that levying such charges subsequently without disclosing the same to the borrower is an unfair practice.

3. State and Central co-operative banks are, therefore, advised to ensure that loan application forms, in respect of all categories of loans irrespective of the amount of loan sought by the borrower, are comprehensive and all information relating to fees/charges, if any, payable for processing, the amount of such fees refundable in the case of non-acceptance of application, pre-payment options and any other matter which affects the interest of the borrower, are invariably disclosed in the loan application forms. Further, the banks must inform 'all-in-cost' to the customer to enable him to compare the rates charged with other sources of finance.

4. Besides, in case of all categories of loans irrespective of any threshold limits, the banks should also convey in writing, within stipulated time, the main reasons which, in the opinion of the bank, have led to rejection of the loan applications.

Yours faithfully,
(G. Srinivasan)
Chief General Manager-in-Charge