



**भारतीय रिज़र्व बैंक**  
**RESERVE BANK OF INDIA**

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**Reserve Bank of India (Non-Banking Financial Companies – Responsible  
Business Conduct) Directions, 2025**

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In exercise of the powers conferred by sections 45JA, 45L and 45M of the Reserve Bank of India Act, 1934 and all other provisions / laws enabling the Reserve Bank of India (hereinafter called the Reserve Bank) in this regard, the Reserve Bank being satisfied that it is necessary and expedient in public interest so to do, hereby, issues these Directions.

## **Chapter I – Preliminary**

### **A. Short Title and Commencement**

1. These Directions shall be called the Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025.
2. These Directions shall become effective from the date of issuance unless indicated otherwise.

### **B. Applicability**

3. These Directions shall be applicable to following Non-Banking Financial Company (hereinafter collectively referred to as 'NBFCs' and individually as an 'NBFC'), for all layers, unless specified otherwise:
  - (1) NBFC-D registered with the RBI under the provisions of the RBI Act, 1934;
  - (2) NBFC-ICC registered with the RBI under the provisions of the RBI Act, 1934;
  - (3) NBFC-Factor registered with the RBI under the provisions of the Factoring Regulation Act, 2011;
  - (4) NBFC-MFI registered with the RBI under the provisions of the RBI Act, 1934;
  - (5) NBFC-IFC registered with the RBI under the provisions of the RBI Act, 1934;
  - (6) IDF-NBFC registered with the RBI under the provisions of the RBI Act, 1934;
  - (7) HFC registered with the RBI under the provisions of the NHB Act, 1987;
4. The provisions contained in Paragraph 98 to Paragraph 100 shall be applicable for NBFC-P2P registered with the RBI under the provisions of the RBI Act, 1934;
5. These Directions are not applicable for the following:
  - (1) Mortgage Guarantee Company registered with RBI under the scheme of Registration of Mortgage Guarantee Companies;
  - (2) Core Investment Company registered with the RBI under the provisions of the RBI Act, 1934;



- (3) NBFC-Account Aggregator registered with the RBI under the provisions of the RBI Act, 1934;
- (4) Standalone Primary Dealer registered with the RBI as NBFCs under the provisions of the RBI Act, 1934;
- (5) Non-Operating Financial Housing Company registered with the RBI as NBFC under the provisions of the RBI Act, 1934;
- (6) NBFCs not having any customer interface.

*Note: The applicability under these Directions is in line with the regulatory structure for NBFCs as set out in [Reserve Bank of India \(Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation\) Directions, 2025](#).*

### **C. Definitions**

6. In these Directions, unless the context states otherwise, the terms herein shall bear the meaning assigned to them below:

- (1) **Annual Percentage Rate (APR)** means the annual cost of credit to the borrower which includes interest rate and all other charges associated with the credit facility.
- (2) **Consumer Credit** refers to the loans given to individuals, which consists of
  - (i) loans for consumer durables,
  - (ii) credit card receivables,
  - (iii) auto loans (other than loans for commercial use),
  - (iv) personal loans secured by gold, gold jewellery, immovable property, fixed deposits (including FCNR(B)), shares and bonds, etc., (other than for business / commercial purposes),
  - (v) personal loans to professionals (excluding loans for business purposes), and
  - (vi) loans given for other consumptions purposes (e.g., social ceremonies, etc.).However, it excludes (a) education loans, (b) loans given for creation / enhancement of immovable assets (e.g., housing, etc.), (c) loans given for investment in financial assets (shares, debentures, etc.), and (d) consumption loans given to farmers under KCC.



- (3) **Eligible Collateral** shall have the same meaning as defined in [Reserve Bank of India \(Non-Banking Financial Companies – Credit Facilities\) Directions, 2025](#).
- (4) **Equated Periodic Instalments (EPI)** mean an equated or fixed amount of repayments, consisting of both the principal and interest components, to be paid by a borrower towards repayment of a loan at periodic intervals for a fixed number of such intervals; and which result in complete amortisation of the loan. EPIs at monthly intervals are called EMI.
- (5) **Jewellery** shall have the same meaning as defined in [Reserve Bank of India \(Non-Banking Financial Companies – Credit Facilities\) Directions, 2025](#).
- (6) **Key Facts** of a loan agreement between an NBFC / a group of REs and a borrower are legally significant and deterministic facts that satisfy basic information required to assist the borrower in taking an informed financial decision.
- (7) **Key Facts Statement (KFS)** is a statement of key facts of a loan agreement, in simple and easier to understand language, provided to the borrower in a standardised format.
- (8) **Loan to Value (LTV) ratio** shall have the same meaning as defined in [Reserve Bank of India \(Non-Banking Financial Companies – Credit Facilities\) Directions, 2025](#).
- (9) **Microfinance loan** shall have the same meaning as defined in [Reserve Bank of India \(Non-Banking Financial Companies – Microfinance Institution\) Directions, 2025](#).
- (10) **Ornaments** shall have the same meaning as defined in [Reserve Bank of India \(Non-Banking Financial Companies – Credit Facilities\) Directions, 2025](#).
- (11) **Personal Loans**, as referred in Sections D & F of Chapter III, shall have the same meaning as defined in [XBRL Returns – Harmonization of Banking Statistics dated January 04, 2018](#), as amended from time to time.
- (12) **Regulated Entities (REs)**, for the limited purpose of this Direction, shall mean
- (i) Scheduled Commercial Banks (SCBs) / Regional Rural Banks (RRBs) / Local Area Banks (LABs) / All Primary (Urban) Co-operative Banks



(UCBs) / State and Central Co-operative Banks (StCBs / CCBs) / Small Finance Banks, Payment Banks and any other entity which has been licenced under Section 22 of Banking Regulation Act, 1949

- (ii) All India Financial Institutions (AIFIs)
- (iii) Non-Banking Finance Companies and Housing Finance Companies



## **Chapter II – Institutional Framework**

### **A. Role of Board**

7. An NBFC shall have Board approved policies and review mechanisms in place to ensure responsible business conduct. An illustrative list of Board approved policies and the aspects to be covered thereunder are detailed in the paragraphs below.

#### **A.1 Board approved policies**

- (1) Fair Practices Code, which shall preferably be in the vernacular language, or a language as understood by the borrower.

- (2) Grievance redressal mechanism

*Note:* The grievance redressal mechanism shall ensure that all disputes arising out of the decisions of the functionaries are heard and disposed of at least at the next higher level.

- (3) Appropriate internal principles and procedures in determining interest rates and processing, penal and other charges.

*Note:* The guidelines indicated in the Fair Practices Code about transparency in respect of terms and conditions of the loans shall also be considered.

- (4) Lending against gold and silver collateral

- (5) Fair Practices Code for lending to microfinance borrowers

- (6) Policy on reset of floating rate personal loans including option to borrowers for switch between fixed and floating interest rates

- (7) Engagement of recovery agents

- (8) Code of Conduct for DSA / DMA / Recovery Agents

#### **A.2 Review**

8. The Board of Directors shall also provide for periodical review of the compliance of the Fair Practices Code and the functioning of the grievance redressal mechanism at various levels of management. A consolidated report of such reviews shall be submitted to the Board at regular intervals.



## **Chapter III – Responsible Lending Conduct**

### **Fair Practices Code for NBFCs**

9. NBFCs having customer interface shall adopt the guidelines enumerated below:

#### **A.1 Applications for loans and their processing**

10. All communications to the borrower shall be in the vernacular language or a language as understood by the borrower.

11. Loan application forms shall include necessary information which affects the interest of the borrower, so that a meaningful comparison with the terms and conditions offered by another lender can be made, and informed decision can be taken by the borrower. The loan application form shall indicate the documents required to be submitted with the application form.

12. An NBFC shall devise a system of giving acknowledgement for receipt of all loan applications. Preferably, the time frame within which loan applications will be disposed of shall also be indicated in the acknowledgement.

#### **A.2 Loan appraisal and terms / conditions**

13. An NBFC shall convey in writing to the borrower in the vernacular language as understood by the borrower by means of sanction letter or otherwise, the amount of loan sanctioned along with the terms and conditions including annualised rate of interest and method of application thereof and keep the acceptance of these terms and conditions by the borrower on its record. As complaints received against NBFCs generally pertain to charging of high interest/penal charges, an NBFC shall mention the penalties charged for late repayment in bold in the loan agreement.

14. Borrowers may not be fully aware of the terms and conditions of the loans including rate of interest at the time of sanction of loans, either because the NBFC does not provide details of the same or the borrower has no time to look into detailed agreement. Not furnishing a copy of the loan agreement or enclosures quoted in the loan agreement is an unfair practice and this could lead to disputes between the NBFC and the borrower with regard to the terms and conditions. The NBFC, shall furnish a copy of the loan agreement as understood by the borrower along with a copy each of all enclosures quoted in the loan agreement to all the borrowers at the time of sanction / disbursement of loans.





### **A.3 Disbursement of loans including changes in terms and conditions**

15. An NBFC shall give notice to the borrower in the vernacular language or a language as understood by the borrower of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc. The NBFC shall also ensure that changes in interest rates and charges are effected only prospectively. A suitable condition in this regard must be incorporated in the loan agreement.
16. Decision to recall / accelerate payment or performance under the agreement shall be in consonance with the loan agreement.
17. An NBFC shall release all securities on repayment of all dues or on realisation of the outstanding amount of loan subject to any legitimate right or lien for any other claim they may have against borrower. If such right of set off is to be exercised, the borrower shall be given notice about the same with full particulars about the remaining claims and the conditions under which the NBFC is entitled to retain the securities till the relevant claim is settled/paid.

### **A.4 General**

18. An NBFC shall refrain from interference in the affairs of the borrower except for the purposes provided in the terms and conditions of the loan agreement (unless information, not earlier disclosed by the borrower, has been noticed).
19. In case of receipt of request from the borrower for transfer of borrowal account, the consent or otherwise i.e., objection of the NBFC, if any, shall be conveyed within 21 days from the date of receipt of request. Such transfer shall be as per transparent contractual terms in consonance with law.
20. In the matter of recovery of loans, an NBFC shall not resort to undue harassment viz., persistently bothering the borrowers at odd hours, use muscle power for recovery of loans etc. As complaints from customers also include rude behaviour from the staff of the companies, an NBFC shall ensure that the staff is adequately trained to deal with the customers in an appropriate manner.

### **A.5 Language and mode of communicating Fair Practice Code**

21. An NBFC shall have the freedom of drafting the Fair Practices Code, enhancing the scope of the guidelines but in no way sacrificing the spirit underlying the above



guidelines. The same shall be put up on its website, for the information of various stakeholders.

#### **A.6 Regulation of excessive interest charged by NBFCs**

22. The Board of an NBFC shall adopt an interest rate model taking into account relevant factors such as cost of funds, margin and risk premium and determine the rate of interest to be charged for loans and advances. The rate of interest and the approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers shall be disclosed to the borrower or customer in the application form and communicated explicitly in the sanction letter.
23. The rates of interest and the approach for gradation of risks shall also be made available on the website of the companies or published in the relevant newspapers. The information published on the website or otherwise published shall be updated whenever there is a change in the rates of interest.
24. The rate of interest must be annualised rate so that the borrower is aware of the exact rates that would be charged to the account.

#### **A.7 Complaints about excessive interest charged by NBFCs**

25. The Reserve Bank has been receiving several complaints regarding levying of excessive interest and charges on certain loans and advances by NBFCs. Though interest rates are not regulated by the Reserve Bank, rates of interest beyond a certain level may be seen to be excessive and can neither be sustainable nor be conforming to normal financial practice.

#### **A.8 Repossession of vehicles financed by NBFCs**

26. An NBFC must have a built-in re-possession clause in the contract / loan agreement with the borrower which must be legally enforceable. To ensure transparency, the terms and conditions of the contract/loan agreement shall also contain provisions regarding:
- (1) Notice period before taking possession;
  - (2) Circumstances under which the notice period can be waived;
  - (3) The procedure for taking possession of the security;



(4) A provision regarding final chance to be given to the borrower for repayment of loan before the sale/ auction of the property;

(5) The procedure for giving repossession to the borrower; and

(6) The procedure for sale/auction of the property.

27. A copy of such terms and conditions must be made available to the borrower. An NBFC shall invariably furnish a copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement to all the borrowers at the time of sanction/ disbursement of loans, which forms a key component of such contracts/ loan agreements.

#### **A.9 Loan facilities to the physically / visually challenged**

28. An NBFC shall not discriminate in extending products and facilities including loan facilities to physically / visually challenged applicants on grounds of disability. All branches of the NBFC shall render all possible assistance to such persons for availing of the various business facilities. The NBFC shall include a suitable module containing the rights of persons with disabilities guaranteed to them by the law and international conventions, in all the training programmes conducted for their employees at all levels. Further, the NBFC shall ensure redressal of grievances of persons with disabilities under the Grievance Redressal Mechanism already set up by them.

#### **A. Key Facts Statement for Loans & Advances**

29. The following instructions shall be applicable in cases of all retail and MSME term loan products extended by all NBFCs. Credit card receivables are exempted from the provisions given below:

(1) An NBFC shall provide a KFS to all prospective borrowers to help them take an informed view before executing the loan contract, as per the standardised format given in the [Annex I](#). The KFS shall be written in a language understood by such borrowers. Contents of KFS shall be explained to the borrower and an acknowledgement shall be obtained that they have understood the same.

(2) The KFS shall be provided with a unique proposal number and shall have a validity period of at least three working days for loans having tenor of seven days



or more, and a validity period of one working day for loans having tenor of less than seven days.

*Explanation:* Validity period refers to the period available to the borrower, after being provided the KFS by the NBFC, to agree to the terms of the loan. The NBFC shall be bound by the terms of the loan indicated in the KFS, if agreed to by the borrower during the validity period.

(3) The KFS shall also include a computation sheet of annual percentage rate (APR), and the amortisation schedule of the loan over the loan tenor. APR will include all charges which are levied by the NBFC. Illustrative examples of calculation of APR and disclosure of repayment schedule for a hypothetical loan are given below:

(i) Illustration for computation of APR for Retail and MSME loans

Sl. No.	Parameter	Details
1	Sanctioned Loan amount (in Rupees) ( Sl. No. 2 of the KFS template – Part 1)	20,000
2	Loan Term (in years/ months/ days) (Sl. No.4 of the KFS template – Part 1)	
a)	No. of instalments for payment of principal, in case of non-equated periodic loans	-
b)	Type of EPI Amount of each EPI (in Rupees) and nos. of EPIs (e.g., no. of EMIs in case of monthly instalments) (Sl. No. 5 of the KFS template – Part 1)	Monthly 970 24
c)	No. of instalments for payment of capitalised interest, if any	-
d)	Commencement of repayments, post sanction (Sl. No. 5 of the KFS template – Part 1)	30 days
3	Interest rate type (fixed or floating or hybrid) (Sl. No. 6 of the KFS template – Part 1)	Fixed
4	Rate of Interest (Sl. No. 6 of the KFS template – Part 1)	15 %
5	Total Interest Amount to be charged during the entire tenor of the loan as per the rate prevailing on sanction date (in Rupees)	3,274
6	Fee/ Charges payable (in Rupees) <i>Note: Where such charges cannot be determined prior to sanction, NBFCs may indicate an upper ceiling</i>	400
A	Payable to the NBFC (Sl. No.8A of the KFS template-Part 1)	240
B	Payable to third-party routed through NBFC (Sl. No.8B of the KFS template – Part 1)	160



7	Net disbursed amount (1-6) (in Rupees)	19,600
8	Total amount to be paid by the borrower (sum of 1 and 5) (in Rupees)	23,274*
9	Annual Percentage rate- Effective annualized interest rate (in percentage) (Sl. No.9 of the KFS template-Part 1) <i>Note: Computed on net disbursed amount using IRR approach and reducing balance method</i>	17.07%
10	Schedule of disbursement as per terms and conditions	Detailed schedule to be provided
11	Due date of payment of instalment and interest	DDMMYYYY

\* The difference in repayment amount calculated from the total of instalments given under the detailed repayment schedule i.e., ₹23,280 (=970\*24) vis-à-vis the amount of ₹23,274 (₹20,000 (loan amount) + ₹3,274 (Interest charges) mentioned under (8) is due to rounding off the instalment amount of ₹969.73 to ₹970 under the detailed repayment schedule.

(ii) Illustrative Repayment Schedule under Equated Periodic Instalment for the above-mentioned hypothetical loan

Instalment No.	Outstanding Principal (in Rupees)	Principal (in Rupees)	Interest (in Rupees)	Instalment (in Rupees)
1	20,000	720	250	970
2	19,280	729	241	970
3	18,552	738	232	970
4	17,814	747	223	970
5	17,067	756	213	970
6	16,310	766	204	970
7	15,544	775	194	970
8	14,769	785	185	970
9	13,984	795	175	970
10	13,189	805	165	970
11	12,384	815	155	970
12	11,569	825	145	970
13	10,744	835	134	970
14	9,909	846	124	970
15	9,063	856	113	970
16	8,206	867	103	970
17	7,339	878	92	970
18	6,461	889	81	970
19	5,572	900	70	970
20	4,672	911	58	970
21	3,761	923	47	970
22	2,838	934	35	970
23	1,904	946	24	970
24	958	958	12	970



- (4) Charges recovered from the borrowers by an NBFC on behalf of third-party service providers on actual basis, such as insurance charges, legal charges etc., shall also form part of the APR and shall be disclosed separately. In all cases wherever the NBFC is involved in recovering such charges, the receipts and related documents shall be provided to the borrower for each payment, within a reasonable time.
- (5) Any fees, charges, etc. which are not mentioned in the KFS, cannot be charged by the NBFCs to the borrower at any stage during the term of the loan, without explicit consent of the borrower.
- (6) The KFS shall also be included as a summary box to be exhibited as part of the loan agreement.

## **B. Penal Charges in Loan Accounts**

30. An NBFC shall adhere to following instructions for charging penal charges on loans. These instructions shall be applicable to all credit facilities offered by the NBFC but shall not apply to Credit Cards, External Commercial Borrowings, Trade Credits (rupee / foreign currency export credit) and Structured Obligations which are covered under product specific directions, as also other foreign currency loans.

- (1) Penalty, if charged, for non-compliance of material terms and conditions of loan contract by the borrower shall be treated as 'penal charges' and shall not be levied in the form of 'penal interest' that is added to the rate of interest charged on the advances. There shall be no capitalisation of penal charges, i.e., no further interest computed on such charges. However, this will not affect the normal procedures for compounding of interest in the loan account. Therefore, the NBFC may charge interest on unpaid interest (including on unpaid EMI) at the contracted rate of interest till the date of remediation, and not at the penal rate of interest.

### *Notes:*

- (i) The material terms and conditions shall be defined, if not already done, as per the credit policy of the NBFC and they may vary from one category of loan to another, and also, from lender to lender based on their own assessment.



- (ii) Default in repayment by the borrower is also a type of non-compliance of material terms and conditions of loan repayment contract by the borrower and penalty, if charged, for such default shall only be levied in the form of penal charges and not penal interest. Such penal charges shall be reasonable and levied by the lenders only on the amount under default in a non-discriminatory manner as per their Board approved policy. Further, it shall be ensured that there is no capitalization of the penal charges i.e., no further interest computed on such charges.
  - (iii) Additional / fresh penal charges cannot be levied on the earlier outstanding amount of penal charges.
  - (iv) An NBFC shall follow the instructions and clarifications, if any, issued by Central Board of Indirect Taxes & Customs (CBIC) with regard to applicability of GST on penal charges.
- (2) The NBFC shall not introduce any additional component to the rate of interest and ensure compliance to these guidelines in both letter and spirit.
- (3) The NBFC shall formulate a Board approved policy on penal charges or similar charges on loans, by whatever name called.
- (4) The quantum of penal charges shall be reasonable and commensurate with the non-compliance of material terms and conditions of loan contract without being discriminatory within a particular loan / product category.

**Notes:**

- (i) The penal charges can be different within the same product category depending upon the amount of loan and the NBFC may adopt a suitable structure of penal charges subject to adherence to the above stipulations. The structure of penal charges within a particular loan / product category shall have to be uniform irrespective of the constitution of the borrower.
- (ii) Although no upper limit / cap for penal charges has been prescribed, the NBFC, while formulating its Board approved policy on penal charges, should keep in mind that the intent of levying penal charges is essentially to inculcate a sense of credit discipline and such charges are not meant to be used as a revenue enhancement tool.



(5) The penal charges in case of loans sanctioned to 'individual borrowers, for purposes other than business', shall not be higher than the penal charges applicable to non-individual borrowers for similar non-compliance of material terms and conditions.

(6) The quantum and reason for penal charges shall be clearly disclosed by the NBFC to the customers upfront in the loan agreement and Most Important Terms & Conditions/ Key Fact Statement as applicable, in addition to being displayed on the NBFC's website under Interest rates and Service Charges. Further, providing a reference to the schedule of penal charges displayed on the website of the NBFC in the sanction letter and loan agreement shall not suffice.

(7) Whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the applicable penal charges shall be communicated. Further, any instance of levy of penal charges and the reason thereof shall also be communicated.

(8) In the case of existing loans, the switchover to new penal charges regime shall be ensured on next review or renewal date.

### **C. Reset of Floating Interest Rate on Equated Monthly Instalments (EMI) based Personal Loans**

31. An NBFC shall put in place an appropriate policy framework meeting the following requirements for implementation and compliance:

(1) At the time of sanction, an NBFC shall clearly communicate to the borrowers about the possible impact of change in benchmark interest rate on the loan leading to changes in EMI and/or tenor or both. Subsequently, any increase in the EMI/ tenor or both on account of the above shall be communicated to the borrower immediately through appropriate channels.

(2) At the time of reset of interest rates, an NBFC may, at its option, provide a choice to the borrowers to switch over to a fixed rate as per its Board approved policy. The policy, inter alia, may also specify the number of times a borrower will be allowed to switch during the tenor of the loan.

(3) The borrowers shall also be given the choice to opt for (i) enhancement in EMI or elongation of tenor or for a combination of both options; and, (ii) to prepay,





either in part or in full, at any point during the tenor of the loan. Levy of foreclosure charges/ pre-payment penalty shall be subject to extant instructions.

*Note:* Whenever there is a reset of interest rates for an entire class of borrowers in a particular loan category, say home loan, due to increase in the reference benchmark; the NBFC shall provide the following options to the borrowers:

- (i) Either enhancement in EMI or elongation of number of EMIs, keeping the EMI unchanged or a combination of both options;
- (ii) Switch to fixed interest rate for the remaining portion of the loan, where such an option is provided by the bank; and
- (iii) To prepay, either in part or in full, at any point during the residual tenor of the loan.

(4) All applicable charges for switching of loans from floating to fixed rate and any other service charges/ administrative costs incidental to the exercise of the above options shall be transparently disclosed in the sanction letter and also at the time of revision of such charges/ costs by the NBFC from time to time. The applicable charges shall be as approved by the Board and shall be displayed on the NBFC's website.

(5) An NBFC shall ensure that the elongation of tenor in case of floating rate loan does not result in negative amortisation.

(6) An NBFC shall share / make accessible to the borrowers, through appropriate channels, a statement at the end of each quarter which shall at the minimum, enumerate the principal and interest recovered till date, EMI amount, number of EMIs left and annualized rate of interest / APR for the entire tenor of the loan. The NBFC shall ensure that the statements are simple and easily understood by the borrower.

32. Apart from the equated monthly instalment loans, these instructions would also apply, *mutatis mutandis*, to all equated instalment-based loans of different periodicities, irrespective of whether they are linked to an external benchmark or an internal benchmark. The instructions in paragraph 31 above are not applicable to other types of loans. In case of loans linked to an external benchmark, the NBFC shall put in place adequate information systems to monitor transmission of changes



in the benchmark rate to the lending rate.

#### **D. Pre-payment charges on loans**

33. In case of existing loans sanctioned or renewed on or before December 31, 2025, an NBFC shall not levy pre-payment charges on any floating rate term loan sanctioned for purposes other than business to individual borrowers, with or without co-obligant(s).

34. An NBFC shall adhere to the following directions regarding levy of pre-payment charges on loans and advances (term loans as well as demand loans) sanctioned or renewed on or after January 1, 2026:

- (1) For all floating rate loans granted for purposes other than business to individuals, with or without co-obligant(s), an NBFC shall not levy pre-payment charges.
- (2) For all floating rate loans granted for business purpose to individuals and Micro and Small Enterprises (MSEs), as defined in Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, with or without co-obligant(s):
  - (i) an NBFC-Upper Layer shall not levy any pre-payment charges.
  - (ii) an NBFC-Middle Layer shall not levy any pre-payment charges on loans with sanctioned amount/ limit up to ₹50 lakh.
- (3) The Directions at paragraphs 34(1) and 34(2) above shall be applicable irrespective of the source of funds used for pre-payment of loans, either in part or in full, and without any minimum lock-in period.
- (4) Applicability of above Directions for dual/ special rate (combination of fixed and floating rate) loans will depend on whether the loan is on floating rate at the time of pre-payment.
- (5) In cases other than those mentioned at paragraphs 34(1) and 34(2) above, pre-payment charges, if any, shall be as per the approved policy of the NBFC. However, in case of term loans, pre-payment charges, if levied by the NBFC, shall be based on the amount being prepaid. In case of cash credit/ overdraft facilities, pre-payment charges on closure of the facility before the due date shall be levied on an amount not exceeding the sanctioned limit.



- (6) In case of cash credit/ overdraft facilities, no pre-payment charges shall be applicable if the borrower intimates the NBFC of his/ her/ its intention not to renew the facility before the period as stipulated in the loan agreement, provided that the facility gets closed on the due date.
- (7) An NBFC shall not levy any charges where pre-payment is effected at the instance of the NBFC.
- (8) The applicability or otherwise of pre-payment charges shall be clearly disclosed in the sanction letter and loan agreement. Further, in case of loans and advances where Key Facts Statement (KFS) is to be provided as specified in paragraph 29, the same shall also be mentioned in the KFS. No pre-payment charges which have not been disclosed as specified herein shall be charged by the NBFC.
- (9) The NBFC shall not levy any charges / fees retrospectively at the time of pre-payment of loans, which were waived off earlier by the NBFC.

#### **E. Release of Movable / Immovable Property Documents on Repayment / Settlement of Personal Loans**

##### **F.1 Release of Movable / Immovable Property Documents**

35. An NBFC shall release all the original movable / immovable property documents and remove charges registered with any registry within a period of 30 days after full repayment/ settlement of the loan account.
36. The borrower shall be given the option of collecting the original movable / immovable property documents either from the banking outlet / branch where the loan account was serviced or any other office of the NBFC where the documents are available, as per her / his preference.
37. The timeline and place of return of original movable / immovable property documents shall be mentioned in the loan sanction letters issued on or December 1, 2023.
38. In order to address the contingent event of demise of the sole borrower or joint borrowers, an NBFC shall have a well laid out procedure for return of original movable / immovable property documents to the legal heirs. Such procedure shall be displayed on the website of the NBFC along with other similar policies and



procedures for customer information.

## **F.2 Compensation for delay in release of Movable / Immovable Property Documents**

39. An NBFC shall communicate to the borrower reasons for delay in releasing of original movable / immovable property documents or failing to file charge satisfaction form with relevant registry beyond 30 days after full repayment/ settlement of loan. In case where the delay is attributable to the NBFC, it shall compensate the borrower at the rate of ₹5,000 for each day of delay.
40. In case of loss/damage to original movable / immovable property documents, either in part or in full, an NBFC shall assist the borrower in obtaining duplicate/certified copies of the movable / immovable property documents and shall bear the associated costs, in addition to paying compensation as indicated at paragraph 39 above. However, in such cases, an additional time of 30 days will be available to the NBFC to complete this procedure and the delayed period penalty will be calculated thereafter (i.e., after a total period of 60 days).
41. The compensation provided under these directions shall be without prejudice to the rights of a borrower to get any other compensation as per any applicable law.

## **F. Conduct related aspects in Lending Against Gold and Silver Collateral**

42. Instructions issued vide these Directions shall be complied with as expeditiously as possible but no later than April 1, 2026. Loans sanctioned prior to the date of adoption of the Directions by the NBFC shall continue to be governed by the guidelines mentioned in the [Annex II](#) and applicable before the issuance of these Directions.

## **G.1 Policy aspects**

43. The policy on lending against gold and silver collateral, as required in terms of the [Reserve Bank of India \(Non-Banking Financial Companies – Credit Facilities\) Directions, 2025](#) and hereinafter referred to as the 'policy' in this section / Standard Operating Procedures (SOPs) prepared under the policy shall cover the conduct related aspects relating to the assaying procedure of jewellery, ornaments or coins made of gold or silver ("eligible collateral" for this section); criteria/ qualifications for employing gold and silver assayer or valuer; the auction procedure specifying,



inter alia, the trigger event for the auction of eligible collateral (and timeline for serving an auction notice upon the borrower; mode of auction; notice period allowed to the borrower(s) / legal heir(s) for settlement of loan before auction; empanelment of auctioneers; procedure to be followed in case of loss of eligible collateral pledged or any deterioration or discrepancy in quantity or purity of eligible collateral during internal audit or otherwise, including at the time of return or auction of the collateral, and fair compensation to be paid to the borrower(s) / legal heir(s) in such cases, with timelines for effecting the same, etc.

## **G.2 Standardisation of Procedure for Assaying and Valuation of Gold and Silver collateral**

44. An NBFC, which provides or intends to provide loans against eligible collateral, shall ensure that a standardised procedure is put in place to assay the purity of gold and silver collateral, its weight (gross as well as net), etc. This procedure shall be adopted uniformly across all its branches for all assaying procedures, without any deviation.
45. An NBFC shall display on its website the methodology adopted by it for determination of net weight of the gold and silver content of the eligible collateral and the price used to value the gold and silver content of the eligible collateral for determination of LTV ratio.
46. An NBFC shall ensure presence of the borrower(s) while assaying the collateral at the time of sanctioning the loan. The deductions relating to stone weight, fastenings, etc., as part of the assaying procedure shall be explained to the borrower(s) and details incorporated in the certificate to be issued (as per paragraph 50 below).
47. Post pledging, cases involving loss of gold or silver collateral and any deterioration or discrepancy in quantity or purity observed during internal audit or otherwise including at the time of return or auction of collateral shall be recorded and communicated promptly to the borrower(s)/ legal heir(s). The process for making reimbursement or compensation as per the policy or SOP shall also be communicated to the borrower(s)/ legal heir(s).

## **G.3 Standardisation of Documents and Communication**

48. Documentation shall be standardised across all branches of the NBFC.



49. The loan agreement shall cover the description of the eligible collateral taken as security, value of such collateral, details of auction procedure and the circumstances leading to the auction of the eligible collateral, the notice period which shall be allowed to the borrower for repayment or settlement of loan before the auction is conducted, timelines for release of pledged eligible collateral upon full repayment or settlement of loan, refund of surplus, if any, from the auction of the pledged eligible collateral and other necessary details. All applicable charges payable by the borrower, including those related to assaying, auction, etc., shall be clearly included in the loan agreement and KFS.
50. An NBFC, while accepting the eligible collateral, shall prepare a certificate or e-certificate in duplicate on its letterhead regarding the assay of the collateral and state therein the purity (in terms of carats); gross weight of the eligible collateral pledged; net weight of gold or silver content therein and deductions, if any, relating to weight of stones, lac, alloy, strings, fastenings, etc.; damage, breakage or defects, if any, noticed in the collateral; image of the collateral; and the value of collateral (calculated as per the instructions on Valuation and Assaying of Gold and Silver collateral specified in the [Reserve Bank of India \(Non-Banking Financial Companies – Credit Facilities\) Directions, 2025](#)) at the time of sanction. One copy of the certificate or e-certificate shall be kept as part of the loan documents and the other copy be given to the borrower under their acknowledgement.
51. All communication with the borrower, especially, the terms and conditions of the loan, or other important communication which affects the interest of the borrower or the NBFC, shall be in the language of the region or in a language as chosen by the borrower. For an illiterate borrower, important terms and conditions shall be explained in the presence of a witness, who shall not be an employee of the NBFC.

#### **G.4 Handling and Storage of Collateral**

52. An NBFC shall ensure that necessary infrastructure and facilities are put in place and appropriate security measures taken in each of its branches where loans are sanctioned against gold or silver collateral.
53. An NBFC shall ensure that the gold and/ or silver collateral is handled only in its branches and only by its employees.



54. An NBFC shall store the collateral only in its branches which are manned by its employees and having safe deposit vaults fit for storing gold and silver. Normally, such loans shall not be extended by branches that do not have appropriate secured facility for storage of the pledged eligible collateral.
55. The pledged eligible collateral may be transported from one branch to another branch, only as permitted under paragraph 64 below or in case of shifting or closure of branch(es) or exceptional reasons as per the process laid down by the NBFC in terms of its policy.
56. An NBFC shall periodically review the adequacy of systems for storage of the eligible collateral, conduct training of the concerned staff and carry out internal audit of all procedures to ensure that these are strictly adhered to.
57. As part of internal audit, an NBFC shall carry out periodic surprise verification of the gold and silver collateral pledged with it and shall maintain a record thereof. A clause in the loan agreement shall be included for obtaining consent of the borrower(s) to carry out surprise verification including assay of the pledged eligible collateral even in their absence during the tenor of the loan. This aspect shall be specifically communicated to the borrower at the time of sanctioning the loan.

#### **G.5 Release of Collateral after Repayment**

58. An NBFC shall release or return the pledged eligible collateral held as security to the borrower(s)/ legal heir(s) on the same day but in any case, not exceeding a maximum period of seven working days upon full repayment or settlement of the loan.
59. At the time of release of pledged eligible collateral to the borrower(s)/ legal heir(s), the collateral shall be verified for correctness as per details in the certificate (as per paragraph 50<sup>50</sup>) to the borrowers' satisfaction.

#### **G.6 Transparency in Auction Procedure**

60. An NBFC shall give adequate notice to the borrower(s)/ legal heir(s), as applicable, through available means of communication to repay or settle the loan dues prior to initiating the auction procedure. A copy of the notice and acknowledgement thereof shall be kept on record in both scenarios. In case the lender is unable to locate the borrower(s)/ legal heir(s) despite best efforts and even after issuance of a public





notice, it may proceed with the auction, provided that a period of one month has lapsed from the date of the public notice.

61. An NBFC shall implement a transparent auction procedure, which shall include, inter alia, announcement of the auction to the public by issue of advertisements in at least two newspapers, one in the regional language and another in a national daily.

62. The pledged eligible collateral shall be auctioned by an NBFC only through its employee having necessary experience and / or training or an auctioneer empanelled by the NBFC as per its policy. In cases where auctions are conducted by an NBFC through its employees, necessary safeguards such as surprise visits by regional / controlling officials on periodic basis, coverage under internal audit, etc., shall be put in place.

63. An NBFC shall declare a reserve price for the gold and silver collateral at the time of auction, which shall not be less than 90 per cent of its current value.

*Provided that* in case auctions fail twice, a reserve price not less than 85 per cent of its current value shall be adopted.

64. The first auction shall be conducted physically in the same district in which the lending branch is located. However, in case of failure of first auction, an NBFC may conduct the auction in an adjoining district or conduct online auction.

65. As a matter of policy, an NBFC or its related parties shall not participate in the auctions to ensure that there is no potential conflict of interest.

66. After the auction, an NBFC shall mandatorily provide full details of the value fetched at the auction and the dues adjusted to the borrower(s) / legal heir(s). The surplus, if any, from the auction of the gold or silver collateral, shall be refunded to the borrower(s) / legal heir(s) within a maximum period of seven working days from the date of receipt of the full auction proceeds. The NBFC may recover shortfall, if any, as per terms of the loan agreement.

## **G.7 Compensation**

67. In case of any damage to the pledged eligible collateral by an NBFC during the tenor of loan, the cost of repair shall be borne by the NBFC.

68. In case of loss of the pledged eligible collateral and / or any loss emanating from





deterioration or discrepancy in quantity or purity observed during internal audit or otherwise including at the time of return or auction of collateral, an NBFC shall suitably compensate the borrower(s) / legal heir(s).

69. In case of delay in release of the pledged collateral after full repayment or settlement of loan by the borrower, where reasons for delay are attributable to the NBFC, the NBFC shall compensate the borrower(s) / legal heir(s) at the rate of ₹5,000 for each day of delay beyond the timeline prescribed at paragraph 58 above. If the delay is not attributable to the NBFC, it shall communicate reasons for such delay to the borrower(s) / legal heir(s). Further, where the borrower(s) / legal heir(s) has not approached the NBFC for release of pledged eligible collateral after full repayment or settlement of loan, the NBFC shall issue periodic reminders to borrower(s) / legal heir(s) through letters, email or SMS if the email and mobile number are registered with the NBFC.

70. The compensation provided under these directions shall be without prejudice to the rights of a borrower to get any other compensation as per any applicable law.

#### **G.8 Unclaimed Gold and Silver collateral**

71. The pledged gold and / or silver collateral lying with an NBFC beyond two years from the date of full repayment or settlement of loan shall be treated as unclaimed. The NBFC shall periodically undertake special drives to ascertain the whereabouts of the borrower(s) / legal heir(s) in respect of such unclaimed gold and/ or silver collateral.

72. A report on unclaimed gold and /or silver collateral shall be put up to the Customer Service Committee or the Board, as the case may be, at half-yearly intervals for a review.

#### **G.9 Other Instructions**

73. An NBFC shall refrain from issuance of misleading advertisements containing unrealistic claims to promote loans against gold and/or silver collateral.

74. An NBFC shall ensure that all arrangements for sourcing and/ or recovery of loans against eligible collateral, are in compliance with applicable guidelines on outsourcing and recovery practices.



75. For prudential related aspects and other instructions, the NBFC shall be guided by the instructions contained in the Chapter on 'Lending against Gold and Silver Collateral' in [Reserve Bank of India \(Non-Banking Financial Companies – Credit Facilities\) Directions, 2025](#).

## **G. Guidelines on conduct towards Microfinance borrowers**

### **H.1 General**

76. A Fair Practices Code (FPC) for microfinance loans based on these directions shall be put in place by an NBFC with the approval of its Board. The FPC shall be displayed by the NBFC in all its offices and on its website. The FPC should be issued in a language understood by the borrower.

77. There shall be a standard form of loan agreement for microfinance loans in a language understood by the borrower.

78. An NBFC shall provide a loan card to the borrower which shall incorporate the following:

- (1) Information which adequately identifies the borrower;
- (2) Simplified factsheet on pricing;
- (3) All other terms and conditions attached to the loan;
- (4) Acknowledgements by the NBFC of all repayments including instalments received and the final discharge; and
- (5) Details of the grievance redressal system, including the name and contact number of the nodal officer of the NBFC.

79. All entries in the loan card shall be in a language understood by the borrower.

80. Issuance of non-credit products shall be with full consent of the borrowers and fee structure for such products shall be explicitly communicated to the borrower in the loan card itself.

### **H.2 Conduct aspects in Pricing of Loans**

81. There shall be no pre-payment charge levied on microfinance loans. Charges, if any, for delayed payment shall be applied on the overdue amount and not on the entire loan amount.



82. An NBFC shall prominently display the minimum, maximum and average interest rates charged on microfinance loans in all its offices, in the literature (information booklets/ pamphlets) issued by it and details on its website. This information shall also be included in the supervisory returns and subjected to supervisory scrutiny.
83. Any change in interest rate or any other charge shall be informed to the borrower well in advance and these changes shall be effective only prospectively.
84. As part of their awareness campaigns, Self-Regulatory Organisations (SROs) / other industry associations may publish the range of interest rates on microfinance loans charged by their members operating in a district. SROs / other industry associations may also sensitize their members against charging of usurious interest rates.
85. RBI shall also make available information regarding interest charged by NBFCs on microfinance loans.

### **H.3 Training of Staff**

86. An NBFC shall have a board approved policy regarding the conduct of employees and system for their recruitment, training and monitoring. This policy shall, inter alia, lay down minimum qualifications for the staff and shall provide necessary training tools to deal with the customers. Training to employees shall include programs to inculcate appropriate behaviour towards customers. Conduct of employees towards customers shall also be incorporated appropriately in their compensation matrix.
87. Field staff shall be trained to make necessary enquiries regarding the income and existing debt of the household.
88. Training, if any, offered to the borrowers shall be free of cost.

### **H.4 Guidelines related to Recovery of Loans**

89. An NBFC shall put in place a mechanism for identification of the borrowers facing repayment related difficulties, engagement with such borrowers and providing them necessary guidance about the recourse available.
90. Recovery shall be made at a designated/ central designated place decided mutually by the borrower and the NBFC. However, field staff shall be allowed to make recovery at the place of residence or work of the borrower if the borrower



fails to appear at the designated / central designated place on two or more successive occasions.

91. An NBFC or its agent shall not engage in any harsh methods towards recovery. Without limiting the general application of the foregoing, following practices shall be deemed as harsh:

- (1) Use of threatening or abusive language
- (2) Persistently calling the borrower and/ or calling the borrower before 9:00 a.m. and after 6:00 p.m.
- (3) Harassing relatives, friends, or co-workers of the borrower
- (4) Publishing the name of borrowers
- (5) Use or threat of use of violence or other similar means to harm the borrower or borrower's family/ assets/ reputation
- (6) Misleading the borrower about the extent of the debt or the consequences of non-repayment

92. An NBFC shall have a dedicated mechanism for redressal of recovery related grievances. The details of this mechanism shall be provided to the borrower at the time of loan disbursal.

### **H.5 Engagement of Recovery Agents**

93. Recovery agents shall mean agencies engaged by the NBFC for recovery of dues from its borrowers and the employees of these agencies.

94. An NBFC shall have a due diligence process in place for engagement of recovery agents, which shall, inter alia, cover individuals involved in the recovery process. The NBFC shall ensure that the recovery agents engaged by them carry out verification of the antecedents of its employees, which shall include police verification. The NBFC shall also decide the periodicity at which re-verification of antecedents shall be resorted to.

95. To ensure due notice and appropriate authorisation, an NBFC shall provide the details of recovery agents to the borrower while initiating the process of recovery. The agent shall also carry a copy of the notice and the authorisation letter from the NBFC along with the identity card issued to him/her by the NBFC or the agency.



Further, where the recovery agency is changed by the NBFC during the recovery process, in addition to the NBFC notifying the borrower of the change, the new agent shall carry the notice and the authorisation letter along with his/her identity card.

96. The notice and the authorisation letter shall, among other details, also include the contact details of the recovery agency and the NBFC.

97. The up-to-date details of the recovery agencies engaged by the NBFC shall also be hosted on the NBFC's website.

#### **H. Responsibilities of Direct Sales Agents (DSA) / Direct Marketing Agents (DMA) / Recovery Agents of the NBFC**

98. The NBFC shall ensure that the DSA / DMA / Recovery Agents are properly trained to handle their responsibilities with care and sensitivity, particularly aspects such as soliciting customers, hours of calling, privacy of customer information and conveying the correct terms and conditions of the products on offer, etc.

99. The NBFC shall obtain the undertaking of DSA / DMA / Recovery Agents to abide by the code of conduct. In addition, Recovery Agents shall adhere to extant instructions on Fair Practices Code for NBFCs as also its own code for collection of dues and repossession of security. It is essential that the Recovery Agents refrain from action that could damage the integrity and reputation of the NBFC and that they observe strict customer confidentiality.

100. The NBFC shall strictly ensure that it or its agents do not resort to intimidation or harassment of any kind, either verbal or physical, against any person in their debt collection efforts, including acts intended to humiliate publicly or intrude upon the privacy of the debtors' family members, referees and friends, sending inappropriate messages either on mobile or through social media, making threatening and/ or anonymous calls, persistently calling the borrower and/ or calling the borrower before 8:00 a.m. and after 7:00 p.m. for recovery of overdue loans, making false and misleading representations, etc. This direction shall not be applicable to microfinance loans provided as per [Reserve Bank of India \(Non-Banking Financial Companies – Credit Facilities\) Directions, 2025](#).

101. NBFCs shall



- (1) Not engage Telemarketers (DSAs / DMAs) who do not have any valid registration certificate from DoT, Government of India, as telemarketers; NBFCs shall engage only those telemarketers who are registered in terms of the guidelines issued by TRAI, from time to time, for all their promotional / telemarketing activities.
- (2) Furnish the list of Telemarketers (DSAs / DMAs) engaged by them along with the registered telephone numbers being used by them for making telemarketing calls to TRAI; and
- (3) Ensure that all agents presently engaged by them register themselves with DoT as telemarketers.



## **Chapter IV – Miscellaneous**

### **A. Need for public notice before closure of the branch/office**

102. The NBFC shall give at least three months public notice prior to the date of closure of any of its branches/offices in, at least, one leading national newspaper and a leading local (covering the place of branch / office) vernacular newspaper indicating therein the purpose and arrangements being made to service the depositors, etc.

### **B. Rounding off of transactions to the Nearest Rupee**

103. All transactions of the NBFC, including payment of interest on deposits/ charging of interest on advances, shall be rounded off to the nearest rupee, i.e., fractions of 50 paise and above shall be rounded off to the next higher rupee and fractions of less than 50 paise shall be ignored. It shall be ensured that cheques/drafts issued by clients containing fractions of a rupee shall not be rejected by them.

### **C. Provision of Safe Deposit Locker Facility by NBFCs**

104. Providing safe deposit locker facility is a fee-based service and shall not be reckoned as part of the financial business carried out by NBFCs. NBFCs offering safe deposit locker facility or intending to offer it, shall disclose to their customers that the activity is not regulated by the Reserve Bank.

### **D. Compliance with Hon'ble Supreme Court Order dated April 30, 2025 in the matter of Pragya Prasun and Ors. vs Union of India and Ors. (W.P.(C) 289 of 2024) and Amar Jain vs Union of India and Ors. (W.P.(C) 49 of 2025)**

105. Attention of the NBFC is drawn to the [Order of the Hon'ble Supreme Court dated April 30, 2025](#) in the matter of Pragya Prasun and Ors. vs. Union of India and Ors. (W.P.(C) 289 of 2024) and Amar Jain vs. Union of India and Ors. (W.P.(C) 49 of 2025). The NBFC shall undertake appropriate measures to ensure compliance with the above Supreme Court Order, as applicable.



## **Chapter V – Repeal and Other Provisions**

### **A. Repeal and saving**

106. With the issue of these Directions, the existing Directions, instructions, and guidelines relating to Responsible Business Conduct as applicable to Non-Banking Financial Companies stand repealed, as communicated vide [circular DOR.RRC.REC.302/33-01-010/2025-26 dated November 28, 2025](#). The Directions, instructions, and guidelines repealed prior to the issuance of these Directions shall continue to remain repealed.

107. Notwithstanding such repeal, any action taken or purported to have been taken, or initiated under the repealed Directions, instructions, or guidelines shall continue to be governed by the provisions thereof. All approvals or acknowledgments granted under these repealed lists shall be deemed as governed by these Directions. Further, the repeal of these directions, instructions, or guidelines shall not in any way prejudicially affect:

- (1) any right, obligation or liability acquired, accrued, or incurred thereunder;
- (2) any, penalty, forfeiture, or punishment incurred in respect of any contravention committed thereunder;
- (3) any investigation, legal proceeding, or remedy in respect of any such right, privilege, obligation, liability, penalty, forfeiture, or punishment as aforesaid; and any such investigation, legal proceedings or remedy may be instituted, continued, or enforced and any such penalty, forfeiture or punishment may be imposed as if those directions, instructions, or guidelines had not been repealed.

### **B. Application of other laws not barred**

108. The provisions of these Directions shall be in addition to, and not in derogation of the provisions of any other laws, rules, regulations, or directions, for the time being in force.

### **C. Interpretations**

109. For the purpose of giving effect to the provisions of these Directions or in order to remove any difficulties in the application or interpretation of the provisions of these Directions, the RBI may, if it considers necessary, issue necessary clarifications





in respect of any matter covered herein and the interpretation of any provision of these Directions given by the RBI shall be final and binding.

(Veena Srivastava)  
Chief General Manager



## Annex I – Key Facts Statement

### Part 1 (Interest rate and fees/charges)

<b>1</b>	<b>Loan proposal/ account No.</b>		<b>Type of Loan</b>				
<b>2</b>	<b>Sanctioned Loan amount (in Rupees)</b>						
<b>3</b>	<b>Disbursal schedule</b> (i) Disbursement in stages or 100% upfront. (ii) If it is stage wise, mention the clause of loan agreement having relevant details						
<b>4</b>	<b>Loan term (year/months/days)</b>						
<b>5</b>	<b>Instalment details</b>						
	Type of instalments	Number of EPIs	EPI (₹)	Commencement of repayment, post sanction			
<b>6</b>	<b>Interest rate (%) and type (fixed or floating or hybrid)</b>						
<b>7</b>	<b>Additional Information in case of Floating rate of interest</b>						
Referen ce Benchm ark	Benchm ark rate (%) (B)	Spread (%) (S)	Final rate (%) $R = (B) + (S)$	Reset periodicity* (Months)	Impact of change in the reference benchmark (for 25 bps change in 'R', change in:)		
				B	S	EPI (₹)	No. of EPIs
<b>8</b>	<b>Fee/ Charges</b> (An NBFC may disclose the amount net of any taxes such as GST)						
		Payable to the NBFC (A)		Payable to a third party through the NBFC (B)			
		One-time/ Recurring	Amount (in ₹) or Percentag e (%) as applicable (Mention frequency, where recurring)	One- time/Rec urring	Amount (in ₹) or Percentag e (%) as applicable (Mention frequency, where recurring)		
(i)	Processing fees						
(ii)	Insurance charges						
(iii)	Valuation fees						
(iv)	Any other (please specify)						



<b>9</b>	<b>Annual Percentage Rate (APR) (%)</b> (Please refer to the illustration in sub-paragraph (3) of paragraph 29 of these directions)	
<b>10</b>	<b>Details of Contingent Charges (in ₹ or %, as applicable)</b>	
(i)	Penal charges, if any, in case of delayed payment	
(ii)	Other penal charges, if any	
(iii)	Foreclosure charges, if applicable	
(iv)	Charges for switching of loans from floating to fixed rate and vice versa	
(v)	Any other charges (please specify)	

\*Fixed reset, other than on account of changes in credit profile

## Part 2 (Other qualitative information)

<b>1</b>	Clause of Loan agreement relating to engagement of recovery agents	
<b>2</b>	Clause of Loan agreement which details grievance redressal mechanism	
<b>3</b>	Phone number and email id of the nodal grievance redressal officer (An NBFC may furnish generic email id, provided a response is made within 1 working day)	
<b>4</b>	Whether the loan is, or in future maybe, subject to transfer to other REs or securitisation (Yes/ No)	
<b>5</b>	In case of lending under collaborative lending arrangements (e.g., co-lending / outsourcing), following additional details may be furnished:	
	Name of the originating RE, along with its funding proportion	Name of the partner RE along with its proportion of funding
		Blended rate of interest
<b>6</b>	In case of digital loans, following specific disclosures may be furnished:	
	(i) Cooling off / look-up period, in terms of the RE's board approved policy, during which borrower shall not be charged any penalty on prepayment of loan	
	(ii) Details of LSP acting as recovery agent and authorized to approach the borrower	



## **Annex II – Lending against collateral of Gold Jewellery**

While lending to individuals against collateral of gold jewellery, NBFCs shall adopt the following in addition to the general guidelines as above.

1) They shall put in place Board approved policy for lending against gold that shall inter alia, cover the following:

(i) Adequate steps to ensure that the KYC guidelines stipulated by the Reserve Bank are complied with and to ensure that adequate due diligence is carried out on the customer before extending any loan,

(ii) Proper assaying procedure for the jewellery received,

(iii) Internal systems to satisfy ownership of the gold jewellery,

(iv) Adequate systems for storing the jewellery in safe custody, reviewing the systems on an on-going basis, training the concerned staff and periodic inspection by internal auditors to ensure that the procedures are strictly adhered to. Normally, such loans shall not be extended by branches that do not have appropriate facility for storage of the jewellery,

(v) The jewellery accepted as collateral shall be appropriately insured,

(vi) Transparent auction procedure in case of non-repayment with adequate prior notice to the borrower. There shall be no conflict of interest and the auction process must ensure that there is arm's length relationship in all transactions during the auction including with group companies and related entities,

(vii) The auction shall be announced to the public by issue of advertisements in at least two newspapers, one in vernacular and another in national daily newspaper,

(viii) As a policy, the NBFCs themselves shall not participate in the auctions held,

(ix) Gold pledged shall be auctioned only through auctioneers approved by the Board,

(x) The policy shall also cover systems and procedures to be put in place for dealing with fraud including separation of duties of mobilisation, execution and approval.

2) The loan agreement shall also disclose details regarding auction procedure.

3) Other Instructions:



- (i) NBFCs financing against the collateral of gold must insist on a copy of the PAN Card of the borrower for all transaction above ₹5 lakh.
- (ii) Documentation across all branches must be standardized.
- (iii) NBFCs shall not issue misleading advertisements like claiming the availability of loans in a matter of 2-3 minutes.