

RBI extends loan repayment window to 90 days

In further relief to people hit by demonetisation, the Reserve Bank on Wednesday gave borrowers another 30 days over and above 60 days for repayment of housing, car, farm and other loans worth up to Rs 1 crore.

"On a review, it has been decided to provide 30 days, in addition to the 60 days provided (on November 21)," the RBI said in a notification.

So, borrowers together get 90 days breather from getting the account classified under non-performing asset (NPA) category.

The above dispensation will apply to dues payable between November 1, and December 31, 2016, it said.

Following the surprise announcement made by Prime Minister Narendra Modi on November 8 to scrap Rs 500/1,000 notes resulted in cash crunch in the market leading to slowdown in the business.

As a result, the repayment capacity of the borrowers were impacted and there was fear of loan default rising.

The demonetisation of higher value currency notes has affected normal banking activities including clearing of cheques. Besides, borrowers are unable to get payments from their creditors due to various restrictions including cash withdrawal limit of Rs 24,000 per week, limiting their options to repay their dues.

According to the RBI notification, running working capital accounts or crop loans with the sanctioned limit of Rs 1 crore or less would be eligible for this benefit.

Besides, it said, "Term loans for business purposes, secured or otherwise, the original sanctioned amount whereof is Rs 1 crore or less, on the books of any bank or any NBFC, including NBFC (MFI). This shall include agriculture loans."

The apex bank further said that all regulated entities are permitted to defer the downgrade of an account that was standard as on November 1, but would have become NPA for any reason between November and December by 90 days from the date of such downgrade.

The additional time of 90 days will only apply to defer the classification of an existing standard asset as sub-standard and not for delaying the migration of an account across sub-categories of NPA.

Dues payable after January 1, 2017 will be covered by the instructions for the respective entities.

Last month, the RBI had provided additional 60 days for repayment of loans worth up to Rs 1 crore. Separately, the central bank came out this special dispensation for farm loan earlier this week.

(Times of India)