

RBI stops NBFCs from charging penalties on loan pre-payment

The Reserve Bank of India has barred non-banking finance companies from charging pre-payment penalties from customers on floating rate term loans.

This sector regulator asked NBFC to follow this direction with immediate effect. It has already banned banks from levying foreclosure penalties from May.

The latest decision has brought uniformity in the market as both banks and non-banks are now on the same page with regard to prepayment of floating rate loans. RBI said this is a measure to protect customers' interest.

RBI had stopped pre-payment penalty on home loans two years back.

(Economic Times)