Ministry of Corporate Affairs

# Private Financial Companies

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Non-banking Finance Companies (NBFCs), incorporated under the Companies Act, are regulated by Reserve Bank of India (RBI). As informed by RBI, the interest rates of lending have been deregulated for banks and NBFCs.  A cap on interest rate is specified only for NBFC-MFIs. In respect of NBFCs, the RBI has issued guidelines through the Fair Practices Code that require the Board of NBFCs to 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. Further, the rate of interest and the approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers is required to be disclosed to the borrower or customer in the application form and also to be communicated explicitly the in sanction letter. This ensures transparency in computation and communication of interest rates charged by NBFCs.

The details provided by RBI are **Annexed**.

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| State/UT | Cases where private limited NBFCs registered with RBI were found to be involved in unethical/fraudulent practices | Action taken in this regard |
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| Gujarat | Deep Capital Services Private Ltd. Company was involved with Jai Khodiyar Mirta Mandal (JKMM), an Unincorporated Body (UIB), which was involved in illegal collection of money | CoR of company was cancelled and winding up petition has been initiated against the company.  Also FIR is filed against the company |
| Assam | YVU Financial Services Pvt. Ltd. violated directions relating to collection of insurance premium at flat rate and charged a high rate of interest as compared to the prevalent market rates. | YVU Finance Services Pvt. Ltd has been penalized with an amount of Rupees Five lakh on August 08, 2014 by Reserve Bank of India for the violations. |

This was stated by Shri Arjun Ram Meghwal, Minister of State for Corporate Affairs in written reply to a question in Lok Sabha today.

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