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Reserve Bank of India (RBI) has informed that 18 Offices of Banking Ombudsmen situated across India, receive complaints with regard to Loans and Advances. In terms of Code of Bank's Commitment to Customer issued by Banking Code and Standards Board of India (BCSBI) and Fair Practices Code for lenders, banks are committed that they will communicate in writing, the reason(s) for rejection of loan application to applicant. Non-adherence to the provisions of the fair practice code for lenders and Code of Bank's Commitment to customer issued by BCSBI and adopted by the bank is a valid ground of complaint under Banking Ombudsman Scheme.

Further, RBI has informed that the management of loan sanctioning / recovery activity, in a bank is essentially an internal management function and each bank's Board is authorized to frame suitable policies. Banks have been advised to prepare a well-defined loan policy approved by their Board of Directors which should lay down exposure limits to individual/group borrowers, documentation standards, margin, security, sectoral exposure limits, delegation of powers, maturity and pricing policies, factors taken into consideration for deciding interest rates etc. Banks have to consider different loan proposals based on their commercial judgment and merits of each case keeping in view the loan policies approved by their Board of Directors.

This was stated by Shri Santosh Kumar Gangwar, Minister of State in the Ministry of Finance in written reply to a question in Lok Sabha today.

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