

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

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

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Introduction

In exercise of the powers conferred by sections 45JA, 45L and 45M of the Reserve Bank of India Act, 1934, the Reserve Bank of India (hereinafter called the Reserve Bank), being satisfied that it is necessary and expedient in public interest to do so, 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 issue.

B. Applicability

3. These Directions shall be applicable to Non-Banking Financial Companies (hereafter collectively referred to as 'NBFCs' and individually as an 'NBFC'), excluding Housing Finance Companies (HFCs).

C. Definitions

4. In this Chapter, unless the context states otherwise, the terms herein shall bear the meaning assigned to them below:

- (1) Annual Percentage Rate (APR) is the annual cost of credit to the borrower which includes interest rate and all other charges associated with the credit facility.
- (2) Digital Lending: A remote and automated lending process, largely by use of seamless digital technologies for customer acquisition, credit assessment, loan approval, disbursement, recovery, and associated customer service.
- (3) Digital Lending Apps/ Platforms (DLAs): Mobile and/or web-based applications, on a standalone basis or as a part of suite of functions of an application with user interface that facilitate digital lending services. DLAs shall include applications of the RE as well as those operated by Lending Service Provider

(LSP) engaged by RE for extending any credit facilitation services in conformity with extant outsourcing guidelines issued by the Reserve Bank.

- (4) Equated Periodic Instalment (EPI) is 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 EMIs.
- (5) Key Facts of a loan agreement between an RE/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.
- (6) 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.
- (7) Lending Service Provider (LSP): An agent of a RE (including another RE) who carries out one or more of RE's digital lending functions, or part thereof, in customer acquisition, services incidental to underwriting and pricing, servicing, monitoring, recovery of specific loan or loan portfolio on behalf of RE in conformity with extant outsourcing guidelines issued by the Reserve Bank.
- (8) Personal Loan - Personal loans refers to loans given to individuals and consist of (a) consumer credit, (b) education loan, (c) loans given for creation/enhancement of immovable assets (e.g., housing, etc.), and (d) loans given for investment in financial assets (shares, debentures, etc.).
- (9) "Regulated Entities" (REs) for the limited purpose of this Direction means
 - (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 (NBFCs) and Housing Finance Companies (s)

Chapter II – Institutional Framework

A. Role of Board

5. The NBFC shall have Board approved policies and review mechanisms in place to ensure responsible business conduct. An illustrative list of Board approved policies to be formulated by the Board of the NBFC is as under. The aspects to be covered in these policies 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 including approved auctioneers

(5) Engagement of recovery agents

(6) Code of conduct for DSA/DMA/ Recovery Agents

Chapter III – Responsible Lending Conduct

A. Fair Practices Code for NBFCs

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

A.1 Applications for loans and their processing

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

8. 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 other NBFC 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.

9. The 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

10. The 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 NBFC generally pertain to charging of high interest/penal charges, the NBFC shall mention the penalties charged for late repayment in bold in the loan agreement.

11. 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

12. The 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 affected only prospectively. A suitable condition in this regard must be incorporated in the loan agreement.

13. Decision to recall/accelerate payment or performance under the agreement shall be in consonance with the loan agreement.

14. The 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

15. The 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).

16. 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.

17. In the matter of recovery of loans, the 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, 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

18. The NBFC will 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 NBFC

19. The Board of the 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.

20. 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.

21. 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 NBFC

22. The Reserve Bank has been receiving several complaints regarding levying of excessive interest and charges on certain loans and advances by NBFC. 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 NBFC

23. The 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.

24. A copy of such terms and conditions must be made available to the borrower. The 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 by NBFCs

25. The 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.

B. Pre-payment charges on loans for NBFCs

26. The NBFC shall adhere to the following Directions regarding levy of pre-payment charges on all floating rate loans (including term loans and demand loans) and advances:

- (1) For all floating rate term loans sanctioned till December 31, 2025 for purposes other than business to individuals, with or without co-obligant(s), the NBFC shall not levy pre-payment charges.
- (2) For all floating rate loans (including term loans and demand loans) sanctioned or renewed on or after January 1, 2026 and granted for business purpose to individuals and MSEs, with or without co-obligant(s), the NBFC-UL shall not levy any pre-payment charges.
- (3) For all floating rate loans sanctioned or renewed on or after January 1, 2026 and granted for business purpose to individuals and MSEs, with or without co-obligant(s), the NBFC-ML shall not levy any pre-payment charges on loans with sanctioned amount/ limit up to ₹50 lakh.
- (4) The Directions at paragraphs 26(1), 26(2) and 26(3) 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.
- (5) 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.

27. In addition to the instructions at paragraph 26, the following shall be applicable to all loans (including term loans and demand loans) and advances sanctioned or renewed on or after January 1, 2026:

- (1) In cases other than those mentioned at paragraphs 26(1), 26(2), and 26(3) 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.

- (2) 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.
- (3) The NBFC shall not levy any charges where pre-payment is effected at the instance of the NBFC.
- (4) 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.
- (5) 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.

C. Fair Lending Practice - Penal Charges in Loan Accounts

28. The NBFC shall adhere to following instructions for charging penal charges on loans. These instructions shall be applicable to all credit facilities including Cash Credit, Overdraft, securitisation and co-lending portfolios, etc. However, these instructions 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.
- (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 (MITC) / Key Fact Statement (KFS) 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 therefor 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.

D. Key Facts Statement (KFS) 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) NBFCs 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

Sr. No.	Parameter	Details
1	Sanctioned Loan amount (in Rupees) (SI no. 2 of the KFS template – Part 1)	20,000
2	Loan Term (in years/ months/ days) (SI 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) (SI 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 (SI No. 5 of the KFS template – Part 1)	30 days
3	Interest rate type (fixed or floating or hybrid) (SI No. 6 of the KFS template – Part 1)	Fixed
4	Rate of Interest (SI 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 (SI No.8A of the KFS template-Part 1)	240
B	Payable to third-party routed through NBFC (SI 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) (SI 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
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* 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 (11) 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 the NBFCs 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.

E. Conduct related aspects in Lending Against Gold and Silver Collateral

E.1 Standardisation of Procedure for Assaying and Valuation of Gold and Silver collateral

30. The lender (meaning an RE 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.

31. The lender 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.

32. The lender 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 36 below).

33. 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).

E.2 Standardisation of Documents and Communication

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

35. 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 Key Fact Statement (KFS).

36. The lender, 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 arrived at the time of sanction (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). 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.

37. 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 lender, 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 lender.

E.3 Handling and Storage of Collateral

38. The lender 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. It shall ensure that the gold and/ or silver collateral is handled only in its branches and only by its employees.

39. The lender 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.

40. The pledged eligible collateral may be transported from one branch to another branch, only as permitted under paragraph 49 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.

41. The lender 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.

42. As part of internal audit, the lender 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.

E.4 Release of Collateral after Repayment

43. The lender 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.

44. 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 36) to the borrowers' satisfaction.

E.5 Transparency in Auction Procedure

45. The lender 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.

46. The lender 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.

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

48. The lender 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.

49. 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, a lender may conduct the auction in an adjoining district or conduct online auction.

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

51. After the auction, the lender 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 lender may recover shortfall, if any, as per terms of the loan agreement.

E.6 Compensation

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

53. 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, lender shall suitably compensate the borrower(s)/ legal heir(s).

54. 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 lender, the lender 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 43 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.

55. 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.

E.7 Unclaimed Gold and Silver collateral

56. The pledged gold or silver collateral lying with the lender 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 silver collateral.

57. A report on unclaimed gold and 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.

E.8 Other Instructions

58. The lender shall refrain from issuance of misleading advertisements containing unrealistic claims to promote loans against gold or silver collateral.

59. The lender shall generally disburse loans into borrower's bank accounts. All lenders shall comply with the Reserve Bank of India (Non-Banking Financial Companies – Know Your Customer) Directions, 2025 as updated from time to time. Provisions of Sections 269 SS and 269 T of the Income Tax Act, 1961, and associated rules shall be complied with, as may be applicable.

60. In case of bank transfers, the lender shall ensure that:

- (1) Loan disbursements are made to the borrower's account and not to a third-party account (except for disbursements covered exclusively under statutory or regulatory mandate (of RBI or of any other regulator), flow of money between lenders for co-lending transactions and disbursements for specific end use, provided the loan is disbursed directly into the bank account of the end-beneficiary) ; and
- (2) Loan servicing, repayment, etc. is executed by the borrower directly in the lenders' bank account without any pass-through account or pool account of any third party.

61. Running multiple loans simultaneously to a single borrower or a group of related borrowers may be prone to misuse and susceptible to fraud. Consequently, such practices shall be subject to stricter internal audit and supervisory examination.

F. Guidelines on conduct towards Microfinance borrowers

F.1 General

62. A fair practices code (FPC) based on these directions shall be put in place by the 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.

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

64. The 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.

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

66. 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.

F.2 Conduct aspects in Pricing of Loans

67. There shall be no pre-payment penalty on microfinance loans. Penalty, if any, for delayed payment shall be applied on the overdue amount and not on the entire loan amount.

68. The 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.

69. 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.

70. As part of their awareness campaigns, 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.

71. RBI would also make available information regarding interest charged by NBFCs on microfinance loans.

F.3 Training of Staff

72. The 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.

73. Field staff shall be trained to make necessary enquiries regarding the income and existing debt of the household.

74. Training, if any, offered to the borrowers shall be free of cost.

F.4 Engagement of Recovery Agents

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

76. The 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.

77. To ensure due notice and appropriate authorisation, the 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.

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

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

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

80. The NBFC shall have the freedom to offer all categories of advances either on fixed or on floating interest rates basis.

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

- (1) At the time of sanction, the 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, the 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 website.

- (5) The NBFC shall ensure that the elongation of tenor in case of floating rate loan does not result in negative amortisation.
- (6) The 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 / Annual Percentage Rate (APR) for the entire tenor of the loan. The NBFC shall ensure that the statements are simple and easily understood by the borrower.

82. 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 81 above are not applicable to other types of loans. In case of loans linked to an external benchmark under the External Benchmark Lending Rate (EBLR) regime, the NBFC shall follow extant instructions and also put in place adequate information systems to monitor transmission of changes in the benchmark rate to the lending rate.

83. The NBFC shall ensure that the above instructions are extended to the existing as well as new loans. All existing borrowers shall be sent a communication, through appropriate channels, intimating the options available to them. The content of communication to the borrower shall be as follows:

- (1) At the time of sanction:
 - (i) Annualised rate of interest/ Annual Percentage Rate (APR), as applicable, shall be disclosed in the Key Fact Statement (KFS) and the loan agreement.
 - (ii) The possible impact of change in benchmark interest rate on the loan.
- (2) During the tenure of the loan:
 - (i) Subsequently, any increase in the EMI / tenor on account of the external benchmark rate shall be communicated; and

- (ii) Quarterly statements shall be provided disclosing at the minimum, the principal and interest recovered till date, EMI amount, number of EMIs left and annualised rate of interest for the tenor of the loan.

H. Conduct and Customer Protection Requirements applicable to all digital lending activities of NBFCs

H.1 Assessing the borrower's creditworthiness

84. The NBFC shall obtain the necessary information relating to economic profile of the borrower with a view to assessing the borrower's creditworthiness before extending any loan, including, at a minimum, age, occupation and income details. The same shall be kept on record for audit purposes.

85. The NBFC shall ensure that there is no automatic increase in credit limit unless an explicit request is received, evaluated and kept on record from the borrower for such increase.

H.2 Disclosures to borrowers

86. The NBFC shall provide a Key Fact Statement (KFS), as per instructions contained in paragraph 29 of this direction.

87. As regards penal charges, the NBFC shall be guided by the instructions contained in paragraph 28 of this direction.

88. The NBFC shall ensure that digitally signed documents (As per the provisions of the Information Technology Act, 2000, as amended from time to time) (on the letter head of the NBFC) viz., KFS, summary of loan product, sanction letter, terms and conditions, account statements, privacy policies of the NBFC / LSP with respect to storage and usage of borrowers' data, etc. shall automatically flow to the borrower on the registered and verified email/ SMS upon execution of the loan contract/ transactions.

89. The NBFC shall maintain a website of their own in public domain, which shall be kept up to date, inter-alia, with the following details at a prominent single place on the

website for ease of accessibility. The NBFC shall also ensure that DLAs / LSPs have links to the above website of the NBFC.

- (1) Details of all of its digital lending products and its DLAs;
- (2) Details of LSPs and the DLAs of the LSPs along with the details of the activities for which they have been engaged for;
- (3) Particulars of NBFC's customer care and internal grievance redressal mechanism;
- (4) Link to RBI's Complaint Management System (CMS) and Sachet Portal;
- (5) Privacy policies and other details as required under extant guidelines of the Reserve Bank.

90. In case of a loan default, when a recovery agent is assigned for recovery or there is a change in the recovery agent already assigned, the particulars of such recovery agent authorised to approach the borrower for recovery shall be communicated to the borrower through email/ SMS before the recovery agent contacts the borrower for recovery.

H.3 Loan disbursement, servicing and repayment

91. Disbursement of loan by the NBFC shall always be made into the bank account of the borrower except for disbursements covered exclusively under statutory or regulatory mandate (of RBI or of any other regulator), flow of money between REs for co-lending transactions and disbursements for specific end use, provided the loan is disbursed directly into the bank account of the end-beneficiary. The NBFC shall ensure that in no case, disbursement is made to a third-party account, including the accounts of LSP, except as provided for in these Directions.

(1) **Explanation:** Co-lending transactions refers to Co-lending arrangements that shall be governed by the extant instructions, as amended from time to time. This shall also cover co-lending arrangements between REs for non-PSL loans subject to the condition that no third party other than the REs in a co-lending transaction shall have direct or indirect control over the flow of funds at any point of time.

(2) **Explanation:** Advances against salary, where the loan is disbursed directly to the bank account of the borrower but the repayment is from the corporate employer, can be allowed subject to the condition that the loan is repaid by the corporate employer by deducting the amount from the borrower's salary. It must, however, be ensured that LSPs do not have any control over the flow of funds directly or indirectly in such transactions and that repayment is directly from the bank account of the employer to the RE.

92. The NBFC shall ensure that all loan servicing, repayment, etc. is executed by the borrower directly in the RE's bank account without any pass-through account/ pool account of any third party, including the accounts of LSP.

93. The flow of funds between the bank accounts of the borrower and the NBFC shall not be controlled either directly or indirectly by a third-party, including the LSP.

94. The NBFC shall ensure that any fees, charges, reimbursements, etc. payable to LSP are paid directly by the NBFC and are not charged to or collected from the borrowers separately by LSP.

95. In case of delinquent loans, the NBFC may deploy physical interface to recover loans in cash, wherever necessary. In order to afford operational flexibility to NBFC, such transactions are exempted from the requirement of direct repayment of loan in the RE's bank account. However, any recovery by cash shall be duly reflected in full in the borrower's account on the same day and NBFC shall ensure that any fees, charges, etc., payable to LSPs for such recovery are paid directly by the NBFC and are not charged by LSP to the borrower either directly or indirectly from the recovery proceeds.

H.4 Cooling-off period

96. The borrower shall be given an explicit option to exit a digital loan by paying the principal and the proportionate APR without any penalty during an initial "cooling-off period". The cooling off period shall be determined by the Board of the NBFC as laid down in their loan policy, subject to the period so determined not being less than one day. For borrower continuing with the loan even after cooling-off period, pre-payment shall continue to be allowed as per applicable RBI guidelines.

97. The NBFC may retain a reasonable one-time processing fee, if the customer exits the loan during the cooling-off period. This, if applicable, shall be disclosed to the customer upfront in KFS.

H.5 Grievance redressal

98. The NBFC, and the LSP which has an interface with the borrower, shall designate nodal grievance redressal officers to deal with digital lending related complaints/ issues raised by the borrower.

99. Contact details of the nodal grievance redressal officers shall be prominently displayed on the websites of the NBFC, its LSP and on the DLA, as well as in the KFS provided to the borrower.

100. The facility of lodging complaint shall also be made available on the DLA and on the website as stated above. It is reiterated that responsibility of grievance redressal shall continue to remain with the NBFC.

101. If any complaint lodged by the borrower against the NBFC or the LSP engaged by the NBFC is rejected wholly or partly by the NBFC, or the borrower is not satisfied with the reply; or the borrower has not received any reply within 30 days of receipt of complaint by the NBFC, the said borrower can lodge a complaint over the Complaint Management System (CMS) (<https://cms.rbi.org.in/>) portal under the Reserve Bank-Integrated Ombudsman Scheme (RB-IOS) or send a physical complaint to “Centralised Receipt and Processing Centre, 4th Floor, Reserve Bank of India, Sector-17, Central Vista, Chandigarh - 160017” as per the grievance redressal mechanism prescribed by the Reserve Bank. This information shall be suitably conveyed to the borrower.

I. Responsible Lending Conduct – Release of Movable / Immovable Property Documents on Repayment/ Settlement of Personal Loans

I.1 Release of Movable / Immovable Property Documents

102. The NBFCs 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.

103. 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.

104. The timeline and place of return of original movable / immovable property documents shall be mentioned in the loan sanction letters issued on or after the effective date.

105. In order to address the contingent event of demise of the sole borrower or joint borrowers, the NBFCs 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 NBFCs along with other similar policies and procedures for customer information.

I.2 Compensation for delay in release of Movable / Immovable Property Documents

106. The 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.

107. In case of loss/damage to original movable / immovable property documents, either in part or in full, the NBFCs 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 106 above. However, in such cases, an additional time of 30 days will be available to the NBFCs to complete this procedure and the delayed period penalty will be calculated thereafter (i.e., after a total period of 60 days).

108. 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.

I.3 Release of other assets of the deceased borrowers to their legal heirs

109. The NBFC shall not insist upon legal representation for release of other assets of deceased customers irrespective of the amount involved.

110. The NBFC may, however, call for succession certificates from legal heirs of deceased borrowers in cases where there are disputes and all legal heirs do not join in indemnifying the NBFC or in certain other exceptional cases where the NBFC has a reasonable doubt about the genuineness of the claimant/s being the only legal heir/s of the borrower.

J. Responsibilities of Direct Sales Agents (DSA)/Direct Marketing Agents (DMA)/Recovery Agents of the NBFC

111. 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.

112. 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.

Chapter IV – Miscellaneous

A. Outsourcing of Financial Services - Responsibilities of regulated entities employing Recovery Agents

113. 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.

B. Need for public notice before closure of the branch/office

114. 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.

C. Nomination rules

115. The NBFC accepting public deposits needs to comply with the provision of the Banking Companies (Nomination) Rules, 1985. In terms of the Rule 2(9) of the said rules, the NBFC is required to acknowledge in writing to the depositor/s the filling of the relevant duly completed form of nomination, cancellation and/or variation of the nomination. It is now advised that the NBFC shall devise a proper system of acknowledging the receipt of duly completed form of nomination, cancellation and/or variation of the nomination. Such acknowledgement shall be given to all the customers irrespective of whether the same is demanded by the customers. Further, the NBFC shall introduce the practice of recording on the face of the passbooks/ receipts the position regarding availment of nomination facility with the legend “Nomination Registered” and they shall also indicate the name of the Nominee in the passbook/ receipt, in case the customer is agreeable to the same.

D. Register of deposits

116. The NBFC shall maintain the particulars/ details of the deposits, as required under the above-mentioned para, on centralized computer database. The authenticated particulars of public deposits shall be sent to the respective branches, updating the information on quarterly basis i.e. as on March 31, June 30, September 30 and December 31, every year irrespective of the fact that the branch does not open deposit accounts. The information pertaining to a quarter should reach the branch concerned before the 10th day of the next quarter.

E. Intimation of maturity of deposits to depositors

117. Attention is invited to Reserve Bank of India (Non-Banking Financial Companies – Acquisition of Public Deposits) Directions, 2025 wherein NBFCs need to intimate the details of maturity of the deposit to the depositor at least two months before the date of maturity of the deposit. It has been decided to reduce the period from two months to 14 days. Accordingly, it shall be the obligation of the NBFC to intimate the details of maturity of the deposit to the depositor at least 14 days before the date of maturity of the deposit.

F. Repayment of public deposit in order to meet certain expenses of an emergent nature

118. Attention is invited to Reserve Bank of India (Non-Banking Financial Companies – Acquisition of Public Deposits) Directions, 2025, wherein it has been decided that for a non-banking financial company not being a problem non-banking financial company, in order to meet certain expenses of an emergent nature, subject to the satisfaction of the NBFC concerned about such circumstances:

- (1) 'Tiny deposits' may prematurely be paid to individual depositors, at the request of the depositor, before the expiry of three months from the date of acceptance of such deposits, in entirety, without interest;
- (2) In case of other public deposits, not more than fifty per cent of the amount of the principal sum of deposit or ₹5 lakh, whichever is lower, may be prematurely paid to individual depositors, at the request of the depositors, before the expiry of three months from the date of acceptance of such deposits, without interest; the remaining amount with interest at the contracted rate shall be governed by the provisions of the extant directions as applicable for public deposits;
 - (i) Provided that in cases of critical illness, hundred per cent of the amount of the principal sum of deposit, may be prematurely paid to individual depositors, at the request of the depositors, before the expiry of three months from the date of acceptance of such deposits, without interest.

Explanation:

- (a) For this purpose, expenses of an emergent nature include medical emergency or expenses due to natural calamities/ disaster as notified by the concerned Government/ authority.
- (b) For the definition of 'Critical illness', the NBFC shall be guided by the IRDAI (Health Insurance) Regulations, 2016 and the guidelines issued thereunder, as amended from time to time.
- (c) The amount as per these provisions shall also apply to the existing deposit contracts wherein the individual depositor does not have a right to premature withdrawal of the deposit before the expiry of three months.
- (d) Problem non-banking financial company' means a non-banking financial company which –
- has refused or failed to meet within five working days any lawful demand for repayment of the matured public deposits; or
 - intimates the CLB under section 58AA of the Companies Act, 1956, about its default to a small depositor in repayment of any public deposit or part thereof or any interest thereupon; or
 - approaches the Bank for withdrawal of the liquid asset securities to meet its deposit obligations; or
 - approaches the Reserve Bank for any relief or relaxation or exemption from the provisions of these Directions or from that of Reserve Bank of India (Non-Banking Financial Companies – Acquisition of Public Deposits) Directions, 2025 for avoiding default in meeting public deposit or other obligations; or
 - has been identified by the Reserve Bank to be a problem non-banking financial company either suo moto or based on the complaints from the depositors about non-repayment of public deposits or on complaints from the company's lenders about non-payment of dues;

- (e) 'Tiny deposit' means the aggregate amount of public deposits not exceeding ₹10,000/- standing in the name of the sole or the first named depositor in the same capacity in all the branches of the non-banking financial company.

G. Rounding off of transactions to the Nearest Rupee

119. 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.

H. Provision of Safe Deposit Locker Facility by NBFCs

120. 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.

I. Unsolicited Commercial Communications - National Do Not Call Registry

121. NBFCs shall

- (1) Not engage Telemarketers (DSAs/DMAAs) 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/DMAAs) 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.

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

122. 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 (W.P.(C) 289 of 2024) and Amar Jain vs. Union of India & 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

123. 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 notification dated XX, 2025. The Directions, instructions, and guidelines repealed prior to the issuance of these Directions shall continue to remain repealed.

124. 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.

B. Application of other laws not barred

125. 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

126. 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.

Annex I – Key Facts Statement

Part 1 (Interest rate and fees/charges)

1	Loan proposal/ account No.		Type of Loan				
2	Sanctioned Loan amount (in Rupees)						
3	Disbursal schedule (i) Disbursement in stages or 100% upfront. (ii) If it is stage wise, mention the clause of loan agreement having relevant details						
4	Loan term (year/months/days)						
5	Instalment details						
Type of instalments		Number of EPIs	EPI (₹)	Commencement of repayment, post sanction			
6	Interest rate (%) and type (fixed or floating or hybrid)						
7	Additional Information in case of Floating rate of interest						
Referen ce Benchm ark	Benchm ark rate (%) (B)	Spread (%) (S)	Final rate (%) $R = (B) + (S)$	Reset periodicity ¹ (Months)		Impact of change in the reference benchmark (for 25 bps change in 'R', change in:)	
				B	S	EPI (₹)	No. of EPIs

¹ Fixed reset, other than on account of changes in credit profile

8	Fee/ Charges²				
		Payable to the NBFC (A)		Payable to a third party through the NBFC (B)	
		One-time/ Recurring	Amount (in ₹) or Percentage (%) as applicable ³	One- time/Rec urring	Amount (in ₹) or Percentage (%) as applicable ³
(i)	Processing fees				
(ii)	Insurance charges				
(iii)	Valuation fees				
(iv)	Any other (please specify)				
9	Annual Percentage Rate (APR) (%)⁴				
10	Details of Contingent Charges (in ₹ or %, as applicable)				
(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)				

Part 2 (Other qualitative information)

1	Clause of Loan agreement relating to engagement of recovery agents	
2	Clause of Loan agreement which details grievance redressal mechanism	

² REs may disclose the amount net of any taxes such as GST

³ Mention frequency, where recurring

⁴ Please refer to the illustration in sub-paragraph (3) of paragraph 29 of these directions

3	Phone number and email id of the nodal grievance redressal officer ⁵	
4	Whether the loan is, or in future maybe, subject to transfer to other REs or securitisation (Yes/ No)	
5	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	Blended rate of interest
	Name of the partner RE along with its proportion of funding	
6	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	

⁵ The NBFC may furnish generic email id, provided a response is made within 1 working day