Subject: Urgent Request to {BankName} for Loan Settlement Due to Debt Trap.

{LoanType} No: {LoanNumber}

Dear Sir/Madam,

I am writing to formally request a settlement of my {LoanType} number {LoanNumber} {BankName} Due to severe financial challenges, I find myself trapped in a cycle of escalating debt, making it impossible to meet the repayment obligations as per the original terms. I am therefore seeking relief through a negotiated settlement, as permitted under the relevant financial regulations governing unsecured loans.

Financial Distress and Debt Trap: The accumulation of interest, penalties, and associated charges on my loan has led to a situation where the debt has become unmanageable. Despite my best efforts to adhere to the repayment schedule, I am now in a position where the financial burden is overwhelming, trapping me in a debt cycle from which I cannot escape.

Legal Basis for Settlement Request: In accordance with the guidelines provided by the Reserve Bank of India (RBI) and under the provisions of the Banking Regulation Act, 1949, specifically concerning the management of unsecured loans and the RBI’s directives on the compromise settlement of non-performing assets (NPAs), I am entitled to request a negotiated settlement of the outstanding loan amount. These regulations allow for the resolution of debts in cases where continued repayment is not feasible, enabling a fair and reasonable settlement process

Proposal for Full and Final Settlement: In light of my current financial constraints, I propose a full and final settlement of the outstanding loan amount **₹** {LoanAmount} /**-** through a one-time payment of **₹** {OneTimePayment}/**-**. This amount represents the maximum I can feasibly arrange and aligns with the provisions for settlement under the RBI guidelines. I believe this proposal is fair and in the best interest of both parties, offering the bank a practical solution for recovery while providing me with necessary financial relief.

I respectfully request that{BankName}consider this settlement proposal in accordance with the legal provisions mentioned. I am willing to provide any additional documentation required to substantiate my financial difficulties and to facilitate the settlement process.

Good Faith Effort and Amicable Resolution: Please be assured that this request is made in good faith, with the intention of resolving my outstanding debt without resorting to further legal action. I am confident that reaching a settlement agreement will prevent further financial distress and ensure compliance with the regulatory framework governing unsecured loan settlements.

I kindly request an expedited review and response to this proposal. Please provide clear instructions on the next steps required to formalize the settlement agreement. I am hopeful that we can reach a resolution that is equitable and mutually beneficial.

Thank you for your time and consideration.

Yours faithfully,

{ClientName}

{OurMobileNumber}