

Banks have to pay ₹5K per day if loan docs not returned

Must return papers within 30 days of loan repayment: RBI

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Mumbai, 13 September

The Reserve Bank of India (RBI) said on Wednesday that regulated entities (RE) should release the original moveable and immoveable property documents and remove charges registered with the registry within 30 days after full repayment and settlement of the loan account.

In cases where delays are attributable to REs and extend beyond 30 days, they will be required to compensate borrowers at a rate of ₹5,000 per day for each day of delay.

REs must also communicate the reasons for the delay to the borrower. These directives will apply to cases where the release of original property documents is scheduled on or after December 1, 2023. The RBI issued these directives to address the challenges faced by borrowers and promote responsible lending conduct among REs, according to the central bank.

A senior bank executive responsible for legal affairs noted that these directives are particularly relevant for retail loans, such as home, vehicle, and loan against property. Over the years, the nature of banking operations has evolved, with the segregation of functions leading to documents being stored in different locations, such as loan processing centres. This has resulted in delays in procuring and delivering documents to borrowers upon full payment.

The RBI stated that REs were following divergent practices in releasing moveable and immoveable property documents, leading to customer grievances and disputes.

Satyam Kumar, chief executive officer and founder of LoanTap, a Pune-based non-banking financial company, said that while these guidelines may seem like a small step on the surface, they hold immense importance for countless individuals who have experienced the burden



KEEPING A CHECK

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of an onerous and often frustrating process.

By streamlining and simplifying these procedures, the RBI has taken a significant stride toward making the financial journey smoother and more transparent for hapless customers, he added.

The RBI specified that borrowers should have the option to collect the original moveable or immoveable property documents either from the banking outlet/branch where the loan account was serviced or from any other office of the RE where the documents are available.

The timeline and location for the return of original moveable and immoveable property documents will be outlined in the loan sanction letters issued on or after the effective date, the RBI added.