

FIDC

Finance Industry Development Council

(A Representative Body of NBFCs in India)

101/103, Sunflower, 1st Floor, Rajawadi Road No.2, Ghatkopar (East), Mumbai – 400 077

Tel: 022 21029898/9820035553 • E-mail: directorgeneral@fidcindia.org.in



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August 05, 2024

Shri Vaibhav Chaturvedi,
Chief General Manager,
Department of Regulations,
Reserve Bank of India,
Central Office Building,
Shahid Bhagat Singh Road,
Mumbai-400 001

Sub: Comments on “Key Fact Statement (KFS) for Loan & Advances” (KFS Guidelines)

Respected Sir,

At outset, we wish to place on record our appreciation for issuing KFS Guidelines on 15th April 2024 which will help customer understand the crucial details of the Borrowing arrangement. Our members have requested for clarifications on certain points provided below. We will be grateful if clarification for these can be provided:

Para	Regulation	Representation
7	Charges recovered from the borrowers by the REs 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 RE is involved in recovering such charges, the receipts and related documents shall be provided to the borrower for each payment, within a reasonable time	<p>In respect of secured loans, especially loans against mortgage of property, housing loans or against hypothecation of used vehicles/equipment, expenses have to be incurred to assess the collateral value, fraud checks and the legal status of the security.</p> <p>These expenses are sometimes recovered from the customers by the REs either on an actual basis or is clubbed as part of Processing Fees.</p>

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		<p>REs are able to negotiate volume discounts from their service providers which results in lower cost for the customers. Such vendors provide periodic composite bills covering the services rendered but do not necessarily provide customer-wise reports. Thus, the requirement of customer-wise reports should be dispensed with.</p> <p>We would like to submit that the aforesaid charges being in the nature of cost reimbursement and are not a part of the REs' revenue. We request that such expenses may kindly be kept out of the calculation of the APR.</p> <p>As a check mechanism, we recommend that a requirement of including this aspect under internal audit checks may be placed.</p>
8	Any fees, charges, etc. which are not mentioned in the KFS, cannot be charged by the REs to the borrower at any stage during the term of the loan, without explicit consent of the borrower	Loans like Housing Loans and Loan Against Property have longer tenure of up to 30 years. A Lender cannot predict the type of expense which may be required for servicing a loan or an expense which may be required to meet any new regulatory guidelines.

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		In such a scenario, a condition that an explicit consent of borrower will be required for charging a new expense will be difficult to obtain. We request that Lender be allowed to levy new charge subject to prior intimation. Further, in line with Fair Practice Code, a Borrower can close loan his loan without foreclosure charges in such an event.
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We look forward for consideration of our submissions and shall be happy to provide any other information/clarification on the above said concerns.

Thanking you,

Yours Faithfully,

For FINANCE INDUSTRY DEVELOPMENT COUNCIL

**MAHESH THAKKAR
DIRECTOR GENERAL
9820035553**