

November 25, 2008

All Scheduled Commercial Banks / All India Financial Institutions  
(Excluding RRBs)

Dear Sir,

**Guidelines on Fair Practices Code for Lenders- Disclosing  
all information relating to processing fees / charges**

Please refer to our Circular DBOD.No.Leg.BC.65 /09.07.005/2006-07 dated March 6, 2007 wherein banks / FIs were advised that loan application forms in respect of all categories of loans irrespective of the amount of loan sought by the borrower should be comprehensive. It should include information about the fees/charges, if any, payable for processing, the amount of such fees refundable in the case of non acceptance of application, pre-payment options and any other matter which affects the interest of the borrower, so that a meaningful comparison with that of other banks can be made and informed decision can be taken by the borrower.

2. It has come to our notice that some banks levy in addition to a processing fee, certain charges which are not initially disclosed to the borrower. It may be mentioned that levying such charges subsequently without disclosing the same to the borrower is an unfair practice.

**3. Banks / FIs are therefore advised to ensure that all information relating to charges / fees for processing are invariably disclosed in the loan application forms. Further, the banks must inform 'all-in-cost' to the customer to enable him to compare the rates charged with other sources of finance.**

Yours faithfully

**(Prashant Saran)**  
Chief General Manager-in-Charge