

CIRCULAR

Reserve Bank Of India has issued Circular bearing no. DoR.MCS.REC.38/01.01.001/2023-24 dated. 13.09.2023 wherein it has clarified that whenever the Loan account is closed, then Bank is required to release all Movable/ Immovable property documents upon receiving full repayment and closure of Loan account.

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

In terms of the guidelines on Fair Practices Code issued by Reserve Bank of India to Banks since 2003, Banks are required to release all movable / immovable property documents upon receiving full repayment and closure of loan account. However, to follow the Fair Practice Code and Similar practice it has been observed that due to divergent practices in release of such movable / immovable property documents leading to customer grievances and disputes.

Release of Movable / Immovable Property Documents:-

1. The Bank 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.
2. 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 Bank where the documents are available, as per her / his preference.
3. The timeline and place of return of original movable / immovable property documents will be mentioned in the loan sanction letters issued on or after the effective date.
4. In order to address the contingent event of demise of the sole borrower or joint borrowers, the Bank have a well laid out procedure for return of original movable / immovable property documents to the legal heirs.

Compensation for delay in release of Movable / Immovable Property Documents:-

5. In case of 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, the Branch shall communicate to the borrower reasons for such delay. In case where the delay is attributable to the Branch, **it shall compensate the borrower at the rate of ₹5,000/- for each day of delay Branch shall Compensate.**
6. In case of loss/damage to original movable / immovable property documents, either in part or in full, the Branch 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 5 above. However, in such cases, an additional time of 30 days will be available to the Branch to complete this procedure and the delayed period penalty will be calculated thereafter (i.e., after a total period of 60 days).
7. The compensation provided under Clause 5 and 6 above shall be without prejudice to the rights of a borrower to get any other compensation as per any applicable law.

Applicability:-

8. These Directions shall be applicable to all cases where release of original movable / immovable property documents falls due on or after December 1, 2023.
9. The above Directions are issued under sections 21, 35A and 56 of the Banking Regulation Act, 1949, sections 45JA and 45L of the Reserve Bank of India Act, 1934, and section 30A of the National Housing Bank Act, 1987.

PENALTY CLAUSE:-

The Branches and Concerned departments are strictly advised to follow the above said instructions, failing which any complaints from the borrower will be strictly viewed by the higher authority against the concern employee/s and in case for delay in returning the property documents then penalty will be recovered from the concern employee/s.

*(As defined in Annex to the Circular on 'XBRL Returns – Harmonization of Banking Statistics' dated January 04, 2018).

Chief Executive Officer