

RBI looking at ombudsman scheme for NBFCs too

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Prompted by rising number of complaints, it will initially apply to deposit-taking NBFCs

Mumbai, February 4:

Rising complaints against non-banking finance companies (NBFCs) regarding deficiency in services has prompted the Reserve Bank of India to examine the possibility of coming up with an NBFC-specific 'ombudsman scheme', akin to the one that has been operational for banks in the last two decades.

What is being envisaged under the scheme is that customers could lodge complaints against NBFCs for levying charges without adequate prior notice; non-observance of RBI directives on interest rates and engagement of recovery agents; and delays in sanction, disbursement or non-observance of prescribed time schedule for disposal of loan applications.

To begin with, the scheme could be made applicable to deposit-taking NBFCs, asset-finance companies, loan companies and microfinance institutions, say NBFC industry sources.

With loans and advances extended by non-deposit-taking NBFCs, which are classified as systemically important (NBFCs-ND-SI), showing a significant year-on-year growth of 15.5 per cent in March 2015 as compared to a slowdown in commercial banks' non-food credit growth of 8.6 per cent, it is important for the central bank to provide an expeditious and inexpensive forum to customers for resolution of complaints relating to certain services rendered by NBFCs.

Strong growth in credit extended by NBFCs — infrastructure finance, microfinance and loan companies — contributed to sturdy growth in the loan portfolio of NBFCs-ND-SI, according to the RBI. They have also seen a sharp rise in borrowings on the liability side. Non-deposit-taking NBFCs with an asset size of Rs. 500 crore or more are classified as systemically important.

They had loans and advances aggregating Rs. 9,55,500 crore (provisional figure for March-end 2015) against Rs. 8,27,300 crore as on March-end 2014. According to provisional RBI data, as on March-end 2015, deposit-taking NBFCs had public deposits aggregating Rs. 27,500 crore (Rs. 26,000 crore as on March-end 2014) and loans and advances aggregating Rs. 1,60,100 crore (Rs. 1,58,500 crore).

Industry sources said while the banking ombudsman scheme is operational under Section 35A of the Banking Regulation Act, 1949, the proposed NBFC ombudsman scheme is likely to be operational under Section 45L (dealing with the power of the RBI to call for information from financial institutions and to give directions) of the Reserve Bank of India Act, 1934.

Customers could lodge complaints against NBFCs for, among others, levying charges without adequate prior notice and

non-observance of RBI directives on interest rates and engagement of recovery agents

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