

RBI cuts risk weight on consumer credit to 100 per cent

By: PTI

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Currently, the risk weight requirement for such loans is 125 per cent.

The relaxed requirement would not be applicable to credit cards.

Risk weight refers to the capital banks keep aside as provisioning to cover any loan defaults.

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Under the standardised approach for credit risk management, all unsecured consumer credit, including personal loans and credit card receivables, which are both unsecured lending, attract a higher risk weight of 125 per cent or higher, if warranted by an external rating of the counter-party.

“On a review, it has been decided to reduce the risk weight for consumer credit, including personal loans, but excluding credit card receivables, to 100 per cent. Other stipulations remain the same,” the RBI said in a statement.

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