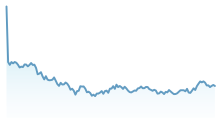

Banks start giving options to avail loan moratorium today

BY K R BALASUBRAMANYAM & JOEL REBELLO, ET BUREAU | UPDATED: APR 01, 2020, 11.05 AM IST

Bengaluru | Mumbai: Banks will mostly adopt one of two methods to honour the Reserve Bank of India's call to allow borrowers to defer loan repayments for three months, according to people with knowledge of the matter.

Customers will either have to contact the bank if they want to take advantage of the moratorium or the bank will allow the three-month break by default. In the latter instance, customers will need to let the bank know in case they want to keep up with payments.

Banks said they have got in touch with customers or will do so in the next few days once they decide how to implement the decision. Many banks are still formulating policies on how the moratorium will be extended to retail loans, given their variety and complexity.

RBI had announced the moratorium on March 27 as a relief to borrowers with the economy having ground to a halt due to the Covid-19 outbreak. SBI customers will possibly be able to opt for the delay by sending an email or visiting the branch, said the people cited above. Those who don't want the option don't need to do anything. The bank is working on the modalities with its IT department and the details could be out soon, they said.

'Be Wary of Debt Trap'

Bankers said the way the moratorium is implemented will depend on the product. Borrowers should also be wary of getting into a debt trap.

Yes or No: Take Your Pick

BANK	DEFAULT OPTION	HOW TO STOP/PAY EMI
Canara Bank	Relief only on demand	SMS 'No' to stop deduction
IDFC First Bank	Relief only on demand	Ask for moratorium by email
PNB	Automatic relief	Visit branch if you wish to pay
SBI	Automatic relief	Visit branch if you wish to pay
HDFC Bank	May offer relief only on demand	May have to ask via email
ICICI Bank	Relief on demand on some loans	Options being worked out
IDBI Bank	Automatic relief	Send email or visit website

"It's a complex process and cannot be a one-size-fits-all," said Axis Bank executive director Pralay Mondal. "Retail loans are of different kinds and the dispensation has to be in terms of the profile of borrowers and transaction history. For example, if we offer a moratorium for credit card loans, we may push some borrowers into revolving credit, which is dangerous both for the bank as well as the customers. We are still working out how to implement this."

ICICI Bank will offer customers options based on the product. Some customers will automatically be allowed a moratorium but can opt out if they want to while others will have to specifically ask for the deferment. Details are being worked out and will be issued shortly.

HDFC Bank will likely ask customers to seek a moratorium by filling in their loan details on the website or sending an email. It will be assumed that those who don't contact the bank will be able to keep paying. The policy is pending board approval.

State-owned Canara Bank, the country's fourth largest lender, has sent an SMS to 1.3 million retail customers stating that customers will need to respond with a 'no' so that standing instructions, post-dated cheques and electronic clearing system (ECS) payments can be stopped. If they do, the bank will not deduct equated monthly installments (EMIs) for three months.

"We are sending similar SMSes to our MSME customers today. We have already received 33,000 SMSes from customers saying 'no'. We will not deduct their EMIs for March, April and May," said Canara Bank executive director A Manimekhalai.

The bank did this to ease pressure on branches in the next few days.

"Our branches will be under heavy pressure, having to make thousands of payments under various government schemes in the next few days," she said. "They will not be able to handle customer queries related to EMIs, and large number of customers visiting branches for this will defeat the very purpose of social distancing. A simple SMS we thought will solve the problem."

IDFC First Bank will activate the moratorium for customers if they apply for it by email with mobile and loan account numbers. Punjab National Bank and Indian Bank announced they have activated the moratorium effective March, prompting queries from customers about whether these had to be applied for.

Bank of Maharashtra also said it will continue to honour standing instructions on loan repayment unless the borrower applies for a delay. "The borrower is given liberty to make payment as per existing arrangement," it said in a tweet.

Private lenders Karnataka Bank and Federal Bank are working on options.

“As of now, we have gone ahead with the three-month moratorium,” said Mahabaleshwara MS, MD at Karnataka Bank. “We have received many phone calls from customers asking if they can pay up their EMIs as before. We have to respect their sentiments, too. We are analysing those requests, and decide how to go about it.”

An executive at Kerala-based Federal Bank said it’s working on various options to help customers who wish to opt out of the RBI relief.

IDBI Bank is adopting a similar tack.

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