



Banking - Foreclosure / pre-payment charges - Sole proprietor - Although the loan was sanctioned in the name of a sole proprietorship firm, the natural person owning the sole proprietorship firm is liable - In law, therefore, the bank sanctioned credit facility to a natural person, albeit in the name of the sole proprietorship firm owned by such natural person - bank not entitled to such charges . [PLRonline]

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“Reserve Bank of India by its circular dated May 7, 2014 dealt with the levy of foreclosure charges/prepayment penalty on floating rate term loans. The circular referred to in Part B of the first bi-monthly monetary policy statement, 2014 announced on April 1, 2014. It noted that, such bi-monthly monetary policy statement indicated that, in the [interest](#) of the consumers, bank should consider allowing their borrowers the possibility of prepaying floating rate term loans without any penalty. The Reserve Bank of India by such circular advised the banks that, they [will](#) not be permitted to charge foreclosure charges/ prepayment penalties on floating rate term loans sanctioned to individual borrowers with immediate effect.....

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