

RBI (Pre-payment Charges on Loans) Directions, 2025

The Reserve Bank of India (RBI) vide its **Notification RBI/2025-26/64 - DoR.MCS.REC.38/01.01.001/2025-26**, issued new directions on July 2, 2025, regarding pre-payment charges on loans, effective January 01, 2026. This move addresses varying practices among regulated entities concerning these charges, particularly for Micro and Small Enterprises (MSEs), and aims to prevent restrictive clauses that deter borrowers from switching lenders.

Under these new guidelines, no pre-payment charges can be levied on floating rate loans granted to individuals for non-business purposes. For floating rate loans given to individuals and MSEs for business purposes, most commercial banks, certain urban co-operative banks, NBFCs, and All India Financial Institutions are prohibited from levying such charges.

Smaller financial institutions like Small Finance Banks and Regional Rural Banks are exempt from levying pre-payment charges on business loans up to Rs. 50 lakhs. These rules apply regardless of the pre-payment's funding source and without a minimum lock-in period. For other loan types, pre-payment charges must align with the regulated entity's approved policy and be disclosed in loan documents.

Link

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NT642A32A71F06D649B78A9622FB82B8C438.PDF>