

Interest On Loans During Moratorium: Supreme Court Issues Notice to Centre And RBI

The Supreme Court on 26th May, 2020 issued notice to the Centre and Reserve Bank of India (RBI) in a plea regarding the levy of interest on loan amounts during the stipulated moratorium period, which has now been extended upto August 31, 2020.

A Bench comprising of Justices Ashok Bhushan, SK Kaul and MR Shah granted one week's time to the Centre and RBI to respond to the plea of a borrower who is aggrieved by RBI's March 27 Notification in as much as it allows interest on loan to be charged during the moratorium period.

Appearing for the petitioner, Senior Advocate Rajiv Dutta apprised the Court that the moratorium, which was to last for 3 months, has now been extended to 6 months. Seeking relief for now, Dutta urged that the final accounting regarding the amount of interest to be paid by him be done after the matter is decided in Court. "When your Lordships decide this matter, the accounting could be done. Today please give me some relief. Do not penalise me today. Please do not add my interest and start charging compound interest, which essentially amounts to penalising me", pleaded the petitioner.

Dutta also informed the Court that replies were being filed without any formal notice being issued. Taking note of this, the Bench issued formal notice being issued. Taking note of this, the Bench issued formal notice.

On March 27, the RBI had ordered a 3-month moratorium on the payment of all kind of instalments, be it EMIs or credit cards or outstanding term loans, for the period between March 1, 2020 and May 31, 2020. This moratorium was recently extended to August 31, 2020.