With a view to address the financial stress caused by COVID-19 pandemic, on March 27, 2020, the RBI permitted all banks to allow a moratorium of three months on payment of instalments in respect of all term loans outstanding as on March 1, 2020.

In view of the extension of the lockdown and continuing disruptions on account of COVID-19, RBI has decided to permit lending institutions to extend the moratorium by another three months, i.e., from June 1, 2020 to August 31, 2020 on payment of all installments in respect of term loans. Accordingly, the repayment schedule for such loans, as also the residual tenor shall be shifted across the board by another three months.

As the branches have not given any working capital facilities, the following instructions are applicable for term loans only.

Interest shall continue to accrue on the outstanding portion of the term loans during the moratorium period. The interest accrued during the moratorium period will be capitalized and to be recovered by way of revised/residual installments. All subsequent due dates for payment of installments shall be shifted by three months.

This relief shall be available in respect of all such changes effected up to August 31, 2020 and shall be contingent on the lending institutions satisfying themselves that the same is necessitated on account of the economic fallout from COVID-19. Further, accounts provided relief under these instructions shall be subject to subsequent supervisory review with regard to their justifiability on account of the economic fallout from COVID-19.

Extending the facilities of moratorium/ deferment/ recalculation of drawing power, will not be treated as concession or change in terms and conditions of loan agreements. Consequently, the above measure shall not result in asset classification downgrade. The Asset Classification of term loans which are granted above relief shall be determined on the basis of revised due dates and the revised repayment schedule.

The rescheduling of payments, including interest, will not qualify as a default for the purposes of supervisory reporting and reporting to Credit Information Companies (CICs) by the lending institutions.

However, the above relief measures are not applicable to loans against Bank’s fixed deposits and loans against NSC/KVP etc.

The deferment/ moratorium given by RBI are optional and some of the borrowers may not opt this facility and may continue with the existing repayment schedule.