

GRC BULLETIN

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RBI

Reserve Bank of India (Co-Lending Arrangements)
Directions, 2025

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CORPORATE LAWS

Authority

Reserve Bank of India (RBI)

Circular Date

Aug 06, 2025

Circular Number

RBI/DOR/2025-26/139
DOR.STR.REC.44/13.07
.010/2025-26

Effective Date

Jan 01, 2026

RBI NOTIFIES RESERVE BANK OF INDIA (CO-LENDING ARRANGEMENTS) DIRECTIONS, 2025

Applicability :

- *Commercial Banks (except Small Finance Banks, Local Area Banks, and Regional Rural Banks), All-India Financial Institutions, and NBFCs including Housing Finance Companies.*

What does Co-Lending mean?

- Co-lending occurs when two regulated bodies (such as a bank and an NBFC) collaborate to offer loans jointly. Usually, the NBFC generates the loan through its customer base, while the bank offers greater funding assistance. Both divide the loan amount, profits, and risks according to a predetermined ratio, which facilitates broader credit access, particularly in semi-urban and rural regions.

What is the reason for this update?

- Previously, RBI's co-lending model primarily targeted priority sector lending (PSL) such as agriculture, MSMEs, and housing. However, in recent years, co-lending has expanded from PSL into mainstream loans for retail and corporate sectors.
- To avoid confusion, mis-selling, and regulatory loopholes, RBI has now released a detailed and unified framework that is applicable to all regulated entities (REs), such as banks, NBFCs, and HFCs. This action guarantees uniformity, safeguards for customers, and improved risk distribution.

Essential Guidelines:

- Every lender is required to retain a minimum of 10% of each loan in their own accounts, as it avoids issues related to "skin in the game."
- Loan agreements should explicitly state the main contact RE for the borrower to prevent any confusion in addressing grievances.
- Transparency is essential as borrowers need to view the combined interest rate (average of both lenders' rates) and all fees in a standard Key Facts Statement (KFS).
- The partner RE has to acknowledge its portion of loans within 15 days of the funds being issued. Otherwise, the loan remains completely with the originating RE.
- Every monetary transaction must go through a shared escrow account to guarantee monitoring and responsibility.
- Routine audits and reports should be presented to the RBI and internal boards.



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Additional Protections:

- Default Loss Guarantee (DLG): Permitted solely for a maximum of 5% of total loans, to avoid excessive risk shifting.
- NPA classification needs to be consistent so that if one lender identifies a borrower as NPA, the same designation should apply to the partner.
- Loan transfers are required to adhere to the RBI's Loan Transfer Directions, 2021.

SOURCE: [Click here for more details](#)



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