

Quote by Shравan Shetty, Managing Director, Primus Partners

Published in Business Standard
August 07, 2025 | 04:31 PM IST

Home loan EMI charged in advance? Can lenders do it, and how to contest it



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If your home loan lender has deducted an EMI even before your actual repayment schedule started, you may be entitled to compensation, including interest on the advance amount. Recent regulatory updates and legal interpretations indicate that such advance deductions, unless fully disclosed and adjusted fairly, can be challenged.

Advance EMI deductions

Lenders are not supposed to deduct EMI before the due date, and doing so without the borrower's consent could amount to an unfair trade practice, according to Shashank Agarwal, founder, Legum Solis, a law firm.

"RBI has clearly frowned on this practice," notes Bhargesh Ojha, partner at Chandhiok and Mahajan, a law firm. The central bank, through its Fair Practices Code (FPC) circular dated April 29, 2024, directed lenders to avoid prejudicial practices and ensure full transparency via a Key Fact Statement (KFS).

Even if an EMI is deducted at the loan disbursement stage, a tactic used by some lenders, the borrower must receive a clear explanation, proper documentation, and interest credit for the advance amount, adds Vijendra Singh Shekhawat, chartered accountant & chief executive officer of Choice Finserv.

Interest must be paid on advance EMI

"Any amount retained as advance EMI without adjusting it or crediting interest amounts to unjust enrichment," says Tushar Kumar, advocate, Supreme Court of India. Housing finance companies, as per a recent NHB directive (July 2025), must now compensate borrowers with interest on such sums.

Shravan Shetty, managing director, Primus Partners, concurs, adding that “companies cannot retain advance EMIs without adjusting or recognising them, and must communicate clearly with borrowers.”

How to check if you're affected

Here's how to verify whether an advance EMI was wrongly deducted:

- Review your loan account statement and disbursement schedule
- Check if any EMI debit appears before your due date
- Look for entries in suspense or intermediary accounts
- Cross-check with the KFS or ask your lender for a detailed ledger

Digital-savvy users can inspect their loan account via banking apps or net banking portals, adds Sarika Shetty, chief executive officer at RentenPe.

How to file a complaint?

If you find such deduction without interest adjustment:

- Raise a written complaint with your lender and request resolution
- Escalate to the lender's Nodal Officer if not resolved
- File a complaint under the RBI's Integrated Ombudsman Scheme
- For loans from housing finance companies, register a complaint on GRIDS portal
- As a last resort, approach Consumer Forum for compensation

“Borrowers are well within their rights to seek refunds and even compensation,” confirms Ojha, citing precedents where consumer courts ruled in favour of borrowers.