

Section 5(n) of the Banking Regulation Act, 1949 on “secured loan or advance”

- Compiled by CA. Ankit Goel for CEV IAF RVO

Extract of the law:

5(n) "Secured loan or advance" means a loan or advance made on the security of assets the market value of which is not at any time less than the amount of such loan or advance; and "unsecured loan or advance" means a loan or advance not so secured;

Important Points to be noted:

1. Market Value is important for valuation for Assets proposed to be made security to a Secured Loan
2. Where the valuer computes the market value of the asset lower than the amount of loan or advance, the bank may be required to classify the loan as an unsecured loan or advance.
3. RBI's provisioning requirements for loans with irregular repayments may be different for Secured or Unsecured Loans.



CEV
IAF
RVO