MEGHA FINLOAN PRIVATE LIMITED

POLICY FOR

"LOAN AGAINST GOLD JEWELLERY"

(Updated on April 01, 2026)

As per RBI Gold Loan Rules 2026

The Reserve Bank of India has introduced a new gold loan framework to be effective April 2026. Designed to bring more transparency and consistency, it aims to strengthen borrower protection in this fast-growing segment.

While borrowers benefit from higher loan access and better safeguards, lenders will need to strengthen processes and risk management. Overall, the changes mark a shift from easy, unstructured lending to a more disciplined and transparent system.

As of April 2026, India's gold loan market has expanded to ₹16.2 lakh crore, accounting for about 11.1% of total retail credit. The segment has grown rapidly over the past few years, with higher loan sizes and wider adoption, but this has also led to issues such as inconsistent valuation practices, limited transparency and rising defaults in larger loans. Interest rates on gold loans remain relatively lower than unsecured credit, but borrower cost can still increase due to valuation differences, LTV limits and interest accumulation, especially in bullet repayment loans. To address these gaps and improve borrower protection, the Reserve Bank of India introduced a comprehensive framework in June 2025, effective April 1, 2026. These rules bring major changes for both borrowers and lenders.

What is a Gold Loan?

A gold loan is a secured loan where you pledge your gold jewellery (and not coins or bars) with a bank or non-banking financial company (NBFC) and get the loan amount. Once you repay the loan, your gold is returned.

Gold loans are largely used to meet short-term liquidity needs such as medical emergencies, business working capital, education expenses or urgent household requirements. They are popular because,

- They require very little paperwork
- Money is disbursed quickly, often within hours
- Income proof is often not needed for small loans
- No credit history or CIBIL score is required in many cases, making them accessible to a wider set of borrowers
- Being a secured loan, interest rates are lower than personal loans
- Repayment is flexible, either through monthly EMIs or a lump sum at the end (bullet repayment)

Why Did RBI Change the Rules?

The RBI observed several red flags. Different lenders were valuing gold differently. Borrowers were not properly informed before auctions. Some lenders were growing too fast without proper risk control. The concern from the regulator came from the fact that a few NBFCs were compromising on ethical business practices. There was also a big difference between how banks and NBFCs operated. The same borrower could get very different terms depending on the lender. The 2026 framework is the RBI's aim to bring uniformity, transparency and better borrower protection.

Changes in MFPL's Gold Loan Policy as per RBI Gold Loan Rules (2026)

1. Higher Loan Amounts for Small Borrowers

A borrower-friendly change is the shift from a flat LTV cap to a tiered structure. Earlier, most lenders offered up to 75% of gold value as a loan. Under the new RBI gold loan policy, LTV ratios are now structured as follows, Up to ₹2.5 lakh - 85% LTV ₹2.5 lakh to ₹5 lakh - 80% LTV Above ₹5 lakh - 75% LTV. This implies that small borrowers can now get more money for the same gold. This move is also expected to curb the misuse of gold loans, which happened due to higher leverage. Also, LTV will now be monitored during the loan period. If gold prices fall, lenders may take action.

2. Credit Check for Larger Loans

Earlier, till March 2026, the borrower's credit profile was not formally assessed. From April 2026 onwards, loans above ₹2.5 lakh now require a detailed credit evaluation, including repayment capacity. Smaller loans below this threshold remain simple and fast, with minimal checks. Loans above ₹2.5 lakh require proper credit assessment. Smaller loans remain quick and accessible. This change addresses major risks such as over-leveraging by borrowers, where individuals take large loans without adequate repayment capacity. It also helps reduce defaults, ensures more responsible lending and brings gold loans closer to standard credit underwriting practices of other loan categories.

3. Limit on Bullet Repayment Loans

Bullet repayment consumption loans, where the principal and interest are settled at the end of the term, must now be repaid within a 12-month period. Earlier, many borrowers kept renewing such loans without repayment. Now, Renewals are allowed only if interest is cleared Loan must remain in good standing. This prevents the practice of indefinite loan rolling that had become common across some NBFC portfolios.

4. Standard Gold Valuation Rules

Valuation is now more transparent: Only gold value is counted (stones are excluded) Price used will be the lower of, 30-day average price or latest daily price Lenders must adopt a uniform, standardized procedure to determine purity, gross weight, net weight and applicable deductions, applied consistently across all branches without deviation. For the purpose of valuation, only the intrinsic value of the gold contained in the eligible collateral shall be reckoned and no other cost elements, such as precious stones or gems, shall be added thereto. At the time of accepting collateral, lenders must issue a purity certificate or e-certificate detailing the gold's karat, weight and assessed value, and one copy must be provided to the borrower.

5. Collateral Management

The MFPL shall ensure that the gold collateral is handled in only its dedicated branch (for gold loan) and only by its specified employee(s). The Company (hereinafter referred as 'MFPL') will always ensure to store the collateral only in its dedicated branch(es) which is manned by its employees and having proper safe deposit vaults fit for storing collateral gold. The pledged eligible collateral is allowed to be transported from one branch to another branch only when its auction is to be conducted in the same district or else the same branch is about to close.

6. Faster Return of Gold

After full loan repayment or settlement of the loan, the MFPL must release pledged gold or silver on the same day but in any case, not exceeding a maximum period of seven working days to the borrower(s) or legal heir(s). If they fail to do so, they must pay a penalty of ₹5,000 per day for the delay. This rule brings accountability and reduces disputes between borrowers and lenders over delays in getting gold back. It also improves overall trust in the process, as borrowers now have a clear timeline and a financial safeguard if the lender does not comply.

7. Compensation

If MFPL fails to secure the collateral gold or in case of any damage to the pledged eligible collateral during the tenor of loan, the cost of repair or against that damage will be borne by the Company only. Also in case of loss of the pledged eligible collateral or any loss originating from discrepancy in quantity or purity observed by the borrower at the time of return or auction of collateral, the Company will properly compensate the borrower(s) or legal heir(s).

8. Transparent Auction Process

The new rules make the auction process more structured and predictable for borrowers, regular SMS reminders on outstanding dues during the loan tenure. A physical notice after loan maturity asking the borrower to repay. Advance intimation before the auction advertised in a local newspaper and conducted in the same area. The reserve price must be at least 90% of the current market value and can be reduced to 85% only after two failed auctions. Any surplus amount must be returned to the borrower within seven working days. These changes ensure fair pricing and prevent distress sales of gold at undervalued prices. The Company will also give borrowers enough time and visibility to act before their gold is auctioned.

9. Restrictions on Usage

Banks and NBFCs are now prohibited from offering loans for the purchase of gold, including jewellery, coins, ETFs or gold-backed funds. Loans also cannot be granted against raw gold, gold bars or financial products linked to them. These restrictions ensure that gold loans are used for genuine consumption or short-term liquidity needs, such as emergencies or working capital, rather than speculative investments in gold assets. This helps reduce risk for both borrowers and lenders and prevents excessive leverage driven by gold price movements. Also if there is a pledged eligible gold collateral lying with MFPL for more than two years from the date of full repayment or settlement of loan, then it will be treated as an Unclaimed Gold. The Company will periodically undertake special drives to ascertain the whereabouts of the borrower(s) or legal heirs(s) in respect of such unclaimed gold collateral and a report on the same shall be put up to the board.

Old Rules vs New Rules: A Comparison

Parameter	Earlier Framework	New Framework(Effective April 2026)
LTV Cap	Uniform 75% for all loans	Tiered: 85%(up to Rs. 2.5L), 80%(Rs. 2.5L-5L) & 75%(above 5L)
Bullet Repayment Tenure	No defined maximum in many cases	Capped at 12 months
Credit Assessment	Not Standardized	Mandatory for loans above Rs. 2.5L
Valuation Benchmark	Varied across lenders	Based on purity; lower of 30 days average or previous day price(IBJA/SEBI)
Gold Return Timeline	No defined obligation	Within 7 working days of closure
Penalty for Delayed Return	No uniform penalty	Rs. 5,000/- per day
Auction Reserve Price	Not uniformly specified	Minimum 90% of market value
Borrower During Valuation	Not mandated	Presence of borrower mandated
Loans to Buy Gold	Permitted	Prohibited
Consistency Across Lenders	Bank and NBFC rules differed	Uniform framework for all regulated entities.