LOAN TO DIRECTORS
(Section-185 of Companies Act, 2013)

Applicability	All Company
Loan to Directors	No company shall, directly or indirectly, ◆ Advance any loan, including ◆ Any loan represented by a book debt, **TO ANY OF ITS DIRECTORS OR** **TO ANY OTHER PERSON IN WHOM THE DIRECTOR IS INTERESTED** ◆ give any guarantee or ◆ provide any security in connection with any loan taken by him or such other person **Note: Loan may be given to Manager, Secretaries and any other officer, who is not the member of the Board.**
Loans mean	◆ Loans ◆ any loan represented by a book debt ◆ Deposit made by the Company to directors **Components of Loan:** ◆ Amounts ◆ placing with other ◆ an agreement to repay or return ◆ A liability for borrower to repay or return 1. Loan means proposed loan of the company and privious loan would not be covered by this section.
Any other person means	**TO ANY OTHER PERSON IN WHOM DIRECTOR IS INTERESTED" MEANS—** • any director of the lending company, or of a company which is its holding company or any partner or relative of any such director; • any firm in which any such director or relative is a partner; • any private company of which any such director is a director or member; • any body corporate at a general meeting of which not less than 25% per cent. of the total voting power may be exercised or controlled by any such director, or by two or more such directors, together; or • any body corporate, the Board of directors, managing director or manager, whereof is accustomed to act in accordance with the directions or instructions of the Board, or of any director or directors, of the lending company.
Exemption from the Section	1. The giving of any loan to a managing or whole-time director— (*i*) as a part of the conditions of service extended by the company to all its employees; or (*ii*) pursuant to any scheme approved by the members by a special resolution (prior SR) 2. A company which in the ordinary course of its business provides loans or gives guarantees or securities for the due repayment of any loan and in respect of such Loan to directors, etc loans an interest is charged at a rate not less than the bank rate declared by the Reserve Bank of India.
Scheme of loan	Not defined in the act, it may be a general sheme regarding loan to directors
Limit of Loan*	Higher of the following without SR (by virtue of section 186 which is not applicable yet) **1. 60% of paid-up share capital+ free reserves +securities premium account** **2. 100% of its free reserves + securities premium account**
Penalty	***the company*** **(FINE)** Min: 5,00,000 Max: 25,00,000 ***the director or the other person*** **(FINE)** Min: 5,00,000 Max: 25,00,000 **IMPRISONMENT** Min: One Day Max: 6 Months **(Either of above or Both**