# Comparative Analysis of Sections related to Loan to Director

| | **Sec. 185 of Companies Act, 2013** | | **Sec. 295 of Companies Act, 1956** |
|---|---|---|---|
| Applicability | All Companies | Applicability | Public Companies & Private which are subsidiary of a public co. |
| Approval | No such provision | Approval | Approval of CG is required |
| Sub-sec (1) | No company shall directly or indirectly advance Loan/ give Guarantee/ provide Security to:<br>• Its Director<br>• Interested Person<br><br>**Provided That:** Nothing will apply to-<br>(a). Loan to MD/WTD:<br>• As a part of conditions of service<br>• As per SR passed by members<br>(b). In ordinary course of business- Rate of interest shall not be less than bank rate. | Sub-sec (1) | It covers Loan made/ Guarantee given/ Security provide to:<br>• Director of: 1. Company itself<br>2. Its Subsidiary<br>• Partner or Relative of its Director.<br>• Firm in which its Director/ his relative is partner<br>• Private Co. In which its Director is Director/ Member.<br>• Body Corporate- 25% Voting held by its Director.<br>• Body Corporate- BODs/MD/Manager works according to its BODs. |
| Sub-sec (2) | **Penalty:**<br>• On Company- 5 to 25 lakh rupees.<br>• On Director- 6 months imprisonment/5 to 25 lakh rupees. | Sub-sec (2) | Sub-sec (1) shall not apply to:<br>• Loan/ Guarantee / Security:<br>I. By Private Co.<br>II. By banking co.<br>• Loan/ Guarantee/ Security by Holding Co. To its subsidiary. |
| | **Interested Person means:**<br>• Director of: 1. Company itself<br>2. Its Subsidiary<br>• Partner or Relative of its Director.<br>• Firm in which its Director/ his relative is partner<br>• Private Co. In which its Director is Director/ Member.<br>• Body Corporate- 25% Voting held by its Director.<br>• Body Corporate- BODs/MD/Manager works according to its BODs. | Sub-sec (4) | **Penalty:** On defaulting person- 6 months/ 50000 rupees. |
| | | Sub-sec (5) | Defaulting person with parties shall be liable to pay amount of Loan/ Guarantee/ Security. |

**Board Resolution is required to pass a Loan to Director.**

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