

**NOTICE TO BORROWERS**  
**Fair Lending Practice – Penal Charges in Loan accounts**

Pursuant to the Reserve Bank of India Guidelines with effect from **April 1, 2024** any penalty charged in case of default in repayment of principal and/or interest within due date and/or for non-compliance of material terms and conditions of the loan contract by the borrower will be treated as 'penal charges' and will not be levied in the form of compounding of interest on the loan accounts. There shall be no capitalisation of penal charges i.e., no further interest computed on such charges. The penal charges are to be paid with applicable GST.

In view of the said guidelines, Notice is hereby given to all Borrowers that the penal charges, if any, levied in the loan account in case of default in repayment of principal and/or interest within due date and/or for non-compliance of any material terms and conditions of loan contract has to be paid by the borrower/ realised from borrower, within 7 days from the date of its levy in the account to avoid any further action.

**Recovery of Penal Charges (Exclusive of GST)**

The details of penal charges in the loan account for the period of irregularities to be levied at the month end are as described below:

**i) Events of account becoming overdue:**

The instances of account becoming overdue, where Penal charges shall be levied:

Details	Applicable Rate on Default / Overdue amount
<ul style="list-style-type: none"> <li>Non servicing of Interest / principal/ installment in time.</li> <li>Excess over the drawing limit due to insufficient stock and book debts in case of FB working capital accounts</li> <li>Excess/ TOD due to devolvement of LC or Invocation of BG.</li> </ul>	@2% p.a. for the default/ overdue period

**ii) Events where material terms and conditions are not complied:**

Penal Charges shall be levied on each of the following non-compliance events separately:

Details	Applicable Rate on outstanding loan balance calculated for the period of non-compliance
<ul style="list-style-type: none"> <li>Non submission /delayed submission of renewal data at least one month prior to due date</li> </ul>	@1% p.a.
<ul style="list-style-type: none"> <li>Non submission / delayed submission of stock statement</li> </ul>	@1% p.a.
<ul style="list-style-type: none"> <li>Non submission / delayed submission of MSOD and or QIS/FFR statements wherever stipulated, within due date</li> </ul>	@1% p.a.
<ul style="list-style-type: none"> <li>Non submission of Audited Balance Sheet within 8 months of closure of Financial year and quarterly performance details as per stipulated date</li> </ul>	@1% p.a.
<ul style="list-style-type: none"> <li>Non-Compliance of terms of sanction within the stipulated period</li> </ul>	@1% p.a.

**iii) Penal Charges on Bills:**

Details	Applicable Rate on Default / Overdue amount
<ul style="list-style-type: none"> <li>In case of delay in honouring demand bills within 2 days of presentation, from 3<sup>rd</sup> day to till the date of recovery</li> <li>In case of delay in honouring Usance bills beyond the due date till date of recovery</li> </ul>	@2% p .a.

- In Non-priority sector advances, overall penal charge shall be capped @ maximum of 2% of overdue amount calculated for the period such amount remains overdue in case of account becoming overdue due to any of the reasons. Further, in case of non-compliance of material terms and conditions, overall penal charge shall be capped @ maximum of 2% of loan balance calculated for the period, such non-compliance continues. As such, total amount of penal charges levied in non-priority sector advances shall not be more than 4% of overdue amount/ outstanding dues.
- In Priority sector advances, overall penal charge shall be capped @ maximum of 2% calculated for overdue period/ period of non-compliance, as the case may be.

These instructions shall, however, not be applicable to Credit Cards, External Commercial Borrowings, Trade Credits and Structured Obligations which are covered under product specific directions.

All other contracted terms shall remain unchanged