

VEE ESS CAPFIN PRIVATE LIMITED

FAIR LENDING PRACTICE - PENAL CHARGES IN LOAN ACCOUNTS

A. BRIEF

As per RBI directions on Fair Lending Practice - Penal Charges in Loan Accounts - RBI/2023-24/53 DoR.MCS.REC.28/01.01.001/2023-24 dated August 18, 2023, the company has formulated the policy to ensure reasonableness and transparency in disclosure of penal charges. The intent of levying penal interest/charges is essentially to inculcate a sense of credit discipline and such charges are not used as a revenue enhancement tool over and above the contracted rate of interest.

B. APPLICABILITY

The policy would be applicable to all the borrowers of the company.

C. BORROWERS

Borrowers hereby refers to the customers which includes individuals, LLP, Private or Public Limited company etc. of any kind who has availed any kind of credit facility from the company.

D. EVENT OF DEFAULT

“Event of Default” hereby means any non-compliance of material terms and conditions of the loan contract by the borrower, as more particularly defined under the respective loan agreement.

E. GENERAL NORMS

- a. Penal charges can be charged by the company on event of default.
- b. Penal charges’ and shall not be levied in the form of ‘penal interest’ that is added to the rate of interest charged on the advances.
- c. Penal Charges shall not be capitalised i.e., no further interest computed on such charges.
- d. Company will charge normal interest and will continue with the normal procedures for compounding of interest in the loan account.
- e. The company will not introduce any additional component to the rate of interest and ensure compliance to the regulatory guidelines.
- f. The company will charge penal charges without being discriminatory within a particular loan / product category.
- g. The penal charges in case of loans sanctioned to ‘individual borrowers, for purposes other than businesses, and to non-individual borrowers for similar non-compliance of material terms and conditions of the contract will be same and there would not be any discrimination.
- h. The company will disclose the quantum and reason for penal charges to the customers in the loan agreement and most important terms & conditions / Key Fact Statement (KFS) as applicable. The company will also display the charges on company’s website under Interest rates and Service Charges.
- i. The company will ensure that if any reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the applicable penal charges shall also be communicated. Further, any instance of levy of penal charges and the reason therefor shall also be communicated.

F. PENAL CHARGES

Sr. No.	PENAL CHARGES	Maximum Charges
1.	Default of payment of interest or principal	36%p.a./3% p.m. on default amount would be levied from the date of default till customer pays the amount due.
2.	Cheque Bounce	<ul style="list-style-type: none">• EMI <= Rs.7500 - Rs.650 per instance• EMI > Rs. 7500 Rs. 1250 per instance
3.	Delay of EMI because of non-registration NACH/ECS Mandate	<ul style="list-style-type: none">• EMI <= Rs.7500 - Rs.650 per instance• EMI > Rs. 7500 Rs. 1250 per instance
4.	Any other material breach of terms and condition of loan, including Event of Default	36%p.a./3% p.m. on default amount from the date of default till customer regularise the breach.
5.	Foreclosure Charges	4% of loan outstanding
6.	Vehicle Seizing Charges	<ul style="list-style-type: none">• Two-Wheeler - Rs.4500• Three-Wheeler - Rs.5000• Four Wheeler - Rs.10000

Note:

- The above charges are excluding any applicable taxes such as GST/TDS etc. The additional tax would be levied as per statutory norms.
- The company will account the charges as cash basis only.
- The Company have well defined authority matrix where the powers to waive the charges are defined, so that no additional burden would be levied on genuine borrowers where delay of the dues is because of technical/unforeseen circumstances beyond the control of the borrower.
- The company may define the charges in the product policy of the company if any changes are required based on the product policy. The company will ensure that the charges should not exceed the limits as defined above.
- In case of event of default or material breach of terms and conditions of loan, Company may provide cure period to regularise the default, and for the cure period no penalty would be levied.

G. EFFECTIVE DATE 01.04.2024

The policy would be effective from 1st April 2024 (hereby referred as "Effective Date") for all the fresh loans availed/ renewed from the effective date. In the case of existing loans, the switchover to new penal charges regime shall be ensured on next review or renewal date or within defined timelines as per circular from the effective date of this circular, whichever is earlier.

REVIEW/RENEWAL OF THE POLICY

The policy would be reviewed or renewed on yearly basis. The company if required can make the amendment in the policy as and when required. The board hereby empowers Finance Committee to approve and agree necessary amendments recommended by the company.

All the amendments and the revised policy to be kept before the Board on yearly basis for review and approval.
