

ICL Fincorp Limited

Policy on Penal Charges

1. INTRODUCTION

The Reserve Bank of India ("RBI") has issued the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 dated October 19, 2023 (as amended from time to time) ['the Master Direction']. In furtherance, RBI vide circular on Fair Lending Practice – Penal Charges in Loan Accounts dated August 18, 2023 has released guidelines to ensure reasonableness and transparency in disclosure of penalties to the customers.

2. PURPOSE

The purpose of this policy is to have standardized penal charges across all our products, these charges will be applied in the same manner among all our customers. The intent of levying penal interest/charges is essentially to instill a sense of credit discipline and such charges are not meant to be used as a revenue enhancement tool.

3. SCOPE

This policy applies to all borrowers and all loans disbursed by the Company. The scope of this policy is to determine the method for charging Penal Charges.

4. PENALTIES LEVIED ON THE CUSTOMER

- a. The Company does not charge any penal interest on delayed payments from its borrowers. Penalty, if any, for delayed payment shall be applied on the overdue amount and not on the entire loan amount, and the same will be communicated to the borrowers by way of bold letters in the loan agreement. Any service charges, prepayment charges as charged to the borrower shall be disclosed appropriately to the borrower. Further, all loans which are pre-paid shall bear pre-payment penalty at rates mentioned in the respective customer agreements. There shall be no foreclosure rate/ prepayment penalty charged on floating rate interest loans sanctioned to the individual borrowers as per the extant regulations.
- b. Penalty, if charged, for non-compliance of material terms and conditions of loan contract by the borrower shall be treated as 'penal charges'. These penal charges shall also cover charges levied on the customer for delay in payment of their overdue EMI.
- c. There shall be no capitalisation of penal charges i.e., no further interest computed on such charges.
- d. The Company shall not introduce any additional component to the rate of interest.
- e. The quantum of penal charges shall be reasonable and commensurate with the noncompliance of material terms and conditions of loan contract without being discriminatory within a particular loan / product category.

- f. The penal charges in case of loans sanctioned to 'individual borrowers, for purposes other than business', shall not be higher than the penal charges applicable to non-individual borrowers for similar non-compliance of material terms and conditions.
- g. The quantum and reason for penal charges shall be clearly disclosed by Company to the customers in the loan agreement and most important terms & conditions / Key Fact Statement (KFS) as applicable, in addition to being displayed on Company's website.
- h. Whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the applicable penal charges shall be communicated. Further, any instance of levy of penal charges and the reason thereof shall also be communicated.
- i. Requirements mentioned in this clause shall be applicable in respect of all the fresh loans availed / renewed from January 01, 2024. In the case of existing loans, the switchover to new penal charges shall be ensured on next review or renewal date or six months from the effective date, whichever is earlier

5. STRUCTURE OF PENAL CHARGES

Currently, penal charges are only to be levied if repayments are not made by the respective due date and penal charges are not envisaged for any other non-compliances related to other terms and conditions of the loan.

The penal charge is calculated as following: (Please reproduce the Penal Charge Model of the Company Below a sample model is shown below)

Model 1: Interest amount due but not paid. The GL schemes require the customer to pay the interest due on the Gold Loan every month. If defaulted penal charges on the interest due will be calculated as below:

Particulars	Calculation	Explanation
Interest Amount due	10,000.00	
Due Date	31-03-2024	
Overdue amount as on 1 st Apr 2024	10,000.00	
Penal charges % per annum	24%	
Penal charges per day	6.67	
Number of days since default	1	
Penal charges on 1 st Apr 2024	6.67	
GST	1.20	18%
Penalty charges with GST on 1 st Apr	7.87	
Customer makes Interest payment on 2 nd Apr	5000	
Overdue as on 2 nd Apr 2024	5000	
Penal charges per day	3.33	

Number of days since default	2	
Penal charges on 3 rd Apr 2024	13.33	
GST	2.40	18%
Penal charges with GST on 3 rd Apr	15.73	
Customer does not pay Interest of Apr	10,000	
Overdue amount as on 1 st May 2024	15,000	
Number of days since default for Mar due	30	
Number of days since default for May due	1	
Penal charges on 1 st May 2024	113.33	
GST	20.40	18%
Penal charges with GST as on 1 st May	133.73	

Model 2: After maturity (which varies according to the different GL schemes) the Gold Loan customer has to either settle or renew the Gold Loan. If defaulted the Penal Charges @ 24% p.a on the entire principal amount and interest amount due from the date of maturity till the date of settlement will be levied. The penal charges shall be in addition to the interest applicable at the rates as per the schemes of the loan.

Particulars	Calculation	Explanation
Principal and Interest Amount due	1,10,000.00	
Maturity Date	31-03-2024	
Overdue amount as on 1 st Apr 2024	1,10,000.00	
Penal charges % per annum	24%	
Penal charges per day	73.33	
Number of days since default	1	
Penal charges on 1 st Apr 2024	73.33	
GST	13.20	18%
Penalty charges with GST on 1 st Apr	86.53	

The charges are structured keeping in mind the following objectives;

The charges are imposed to ensure that the Customer does not default in the due payments and also inculcate a credit discipline in repayments.

In addition to the above Penal Charge the Company may also charge the following Penal Charges;

Cheque bouncing charges/Bank Charges: The Company may charge a flat amount up to Rs.1000/ per instance of cheque/ACH/ECS bounce for various loan products.

Collection charges: The Company may levy collection charge of an amount not exceeding Rs.500/ per visit to the customer's place for recovery of dues. In case the customer is residing in a far-off location, the cost incurred for collection would be charged at actuals subject to a minimum of Rs.500/-. Where the officer of the Company from its Regional/Head office visits the delinquent customer, a sum of Rs.500/ or actuals whichever is higher, shall be payable by the customer. Repossession expenses shall be at actuals

Interest will be levied only on the repayment amount due (and not on late charges) from the due date on a simple interest basis. The interest rate applicable on the repayment amount due will be the same as the interest rate on the respective loan. In order to give relief to borrowers to the extent possible, the interest will not even compound on an annual basis.

Further, the quantum and reason for penal charges shall be clearly disclosed to the customers in the loan agreement and most important terms & conditions / Key Fact Statement (KFS), in addition to being disclosed on the Company website. In addition to reminders sent to borrowers for non-compliance of material terms and conditions of loan, the Borrowers shall also be communicated about the applicable penal charges along with the instance of levy of penal charges and the reason thereof.

6. PROCESS

- On the event of default by customer system will generate penalty charges daily with overdue amount outstanding on that day and the days since when it is been pending.
- Whenever penal charges are collected from customer it will be done with GST, information will accordingly be provided through system.

7. Waiver of Overdue Interest / Penal Charges: Requests by the customer for waiver of overdue interest / penal charges would normally not be entertained by the Company and such waiver will be at sole and absolute discretion of the company

8. SYSTEM IMPLEMENTATION

The necessary changes shall be made to the Core Financial Services Solution/CBS of the Company to implement the Penal Charges as authorized by this policy.

9. Effective date: These instructions shall come into effect from April 01, 2024. The instructions as stated in the policy shall be implemented in 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 but not later than June 30, 2024.

10. Review

The Penal charges policy shall be subject to review by the Board of Directors periodically as per requirement and in any case once in every year