

# Penal Charges — Quantum & Reason

Pursuant to the RBI Circular dated 18 August 2023 on *Fair Lending Practice — Penal Charges in Loan Accounts*, penalty for non-compliance of material terms and conditions by the borrower is treated as “penal charges” and not as “penal interest”. Penal charges are reasonable, commensurate with the non-compliance, and are not capitalised.

## Schedule of penal charges

Nature of non-compliance	Reason	Qu
Delay in payment of EMI / instalment	Non-payment beyond the contractual due date	2.0
Cheque / NACH bounce	Cost & effort of representment and follow-up	■ 7
Non-submission of stipulated documents	Breach of post-disbursement covenant (financials, insurance, end-use certificate)	0.5
Diversion / non-end-use of funds	Material breach of loan covenant	2.0
Non-creation / perfection of security	Failure to create or register security within stipulated period	1.0

## Notes

- Penal charges are recovered separately and shall not be added to the rate of interest charged on the advance.
- The quantum and reason for penal charges is disclosed in the loan agreement and the Key Facts Statement.
- Penal charges are uniformly applicable to all categories of borrowers without discrimination.
- Reminders for non-compliance shall include details of penal charges applicable.