

Rajarambapu Sahakari Bank Ltd. Peth



Penal Charges Policy

1) Introduction:

The Reserve Bank of India ("RBI") has issued guidelines on Fair Lending Practice - Penal Charges in Loan Accounts" to ensure reasonableness and transparency in disclosure of penal interest and penal charges levied by the Banks in case of defaults / non-compliance by the borrower with the terms on which credit facilities were sanctioned. RBI Circular RBI/2023-24/53 DoR.MCS.REC.28/01.01.001/2023-24 dated August 18, 2023 and DoR.MCS.REC.61/01.01.001/2023-24 dated December 29, 2023) on "Fair Lending Practice - Penal Charges in Loan Accounts and ("Circular ") requires banks to formulate a Board approved policy on penal charges or similar charges on loans.

2) Objective

The objective of this policy is to adopt a suitable structure of levying penal charges that is reasonable and in line with the extant Circular.

3) Scope

This policy is applicable to all credit facilities.

4) Penal Charge

Bank will ensure that the instructions are implemented in respect of all the fresh loans availed from April 1, 2024 onwards. In the case of existing loans, the switchover to new penal charges regime shall be ensured on the next review / renewal date falling on or after April 1, 2024, but not later than June 30, 2024.

The penal charge will be applicable to all credit facilities except those specifically exempted in the Circular or bank policy.

The policy endeavors to have a structure of penal charges within a particular loan or product category uniform irrespective of the constitution of the borrower.

There shall be no capitalisation of penal charges i.e., no further interest computed on such charges.

Sr. No.	Particulars	Terms and Conditions
1	Penal charge in case of default in payments	2% (Two) percent p.a. on overdue /default amount for the period of default. + applicable GST
2	Penal charge in case of breach of material conditions mention in the sanction letter.	2% (Two) percent p.a. + applicable GST

Bank has the discretion to amend or waive the above-mentioned charge by CEO, or any appropriate approving authority as may be delegated.

5) Regulatory Policy Guidance

Bank will comply with all extant RBI regulations / guidelines set out including those in the following circulars.

- Master Direction - Reserve Bank of India (Interest Rate on Advances) Directions, 2016
- Master Circular - Customer Service in Banks
- Master Circular - Loans and Advances - Statutory and Other Restrictions
- Fair Lending Practice - Penal Charges in Loan Accounts

6) Governance Structure

The governance structure of the framework is such that any changes to this policy or deviations from this, have to be approved by the board. Any approved material modification will be modified through emails/ website

**Approved by the Board of Directors in its meeting
dated_17/05/2024_vide resolution No. 4/D/1/45**


General Manger


Chief General Manager


Managing Director

