



Penal Charges in Loan accounts

1. Penal Charges

Penal charges are levied when borrower fails to comply with one or more stipulated material terms and conditions without any explicit approval/concurrence of appropriate authority.

The following are material terms and conditions:

- i) For loans sanctioned to 'individual borrowers, for purposes other than business'
 - a) Delay/non-creation of stipulated security
 - b) Delay/non-renewal of insurance policy
 - c) Delay/non-submission of receipts/bills
 - d) Delay/non-submission of undated cheques (UDCs)
- ii) For loans sanctioned to individual and non-individual borrowers for business purposes:
 - a) Delay/non-creation of stipulated security
 - b) Delay/non-submission of financial data required for review/renewal of limits
 - c) Delay/non-submission of stock and book debts statement
 - d) Delay/non-renewal of insurance policy
 - e) Diversion of funds
 - f) Adverse deviation from stipulated levels of various financial parameters

2. Penal charges for non-compliance of material terms and conditions:

- (i) Loans sanctioned to 'individual borrowers, for purposes other than business':

The following penal charges are to be levied for the period of non-compliance on the outstanding exposure affected by such non-compliance:

 - a) Loans up to Rs.10 lakhs – Rs.25 per day for each of the non-complied material terms and conditions subject to a maximum of Rs.1,000 plus applicable taxes.
 - b) Loans above Rs.10 lakhs and up to Rs.50 lakhs – Rs.50 per day for each of the non-complied material terms and conditions subject to a maximum of Rs.2,000 plus applicable taxes.
 - c) Loans above Rs.50 lakhs and up to Rs.100 lakhs – Rs.100 per day for each of the non-complied material terms and conditions subject to a maximum of Rs.5,000 plus applicable taxes.
 - d) Loans above Rs.100 lakhs – Rs.200 per day for each of the non-complied material terms and conditions subject to a maximum of Rs.10,000 plus applicable taxes.

‘Loans’ means ‘outstanding exposure’ affected by such non-compliance.

- (ii) Loans sanctioned to individual and non-individual borrowers for business purpose: The following penal charges are to be levied for the period of non-compliance on the outstanding fund based and non-fund based exposure affected by such non-compliance:
- a) Loans up to Rs.100 lakhs – Rs.200 per day for each of the non-complied material terms and conditions for the period of non-compliance subject to a maximum of Rs.10,000 plus applicable taxes.
 - b) Loans above Rs.100 lakhs and up to Rs.500 lakhs – Rs.300 per day for each of the non-complied material terms and conditions for the period of non-compliance subject to a maximum of Rs.25,000 plus applicable taxes.
 - c) Loans above Rs.500 lakhs and up to Rs.1000 lakhs – Rs.500 per day for each of the non-complied material terms and conditions for the period of non-compliance subject to a maximum of Rs.50,000 plus applicable taxes.
 - d) Loans above Rs.1000 lakhs – Rs.1000 per day for each of the non-complied material terms and conditions for the period of non-compliance subject to a maximum of Rs.1,00,000 plus applicable taxes.