

Applicable penal charges for Corporate Borrowers (WCG, CBG, MICRO FINANCE & BHARAT BANKING (WB), SCF – RL WHEELS)

Type of Default	Applicable Penal Charges	Remarks
Financial	8% p.a. above applicable interest rate on the overdue amount (subject to the aggregate not exceeding Rs. 100,000/- per instance).	Includes non-payment of interest/instalment, tranche overdue, renewal overdue and overdrawn in CC/OD account.
Non-financial	1% p.a. above applicable interest rate from the date of each non-financial default on the outstanding amount of fund-based credit facilities.	Include delay in submission of Stock Statement, Delay in creation of Security and breach of other stipulated covenants.

FAQs on Penal Charges

Q1. What are Penal Charges?

Penal Charges are levied in a loan account for various breaches, as stipulated in the sanction or as per the Bank's standard guidelines. Penal Charges could be charged for financial irregularities like overdrawn in account, delay in interest servicing, delay in repayment, etc. or for non-financial irregularities like delayed submission of Stock Statement, delay in Security Creation, etc.

Q2. What is the frequency of levying penal charges? Is it one-time / weekly / fortnightly / monthly / semi-annually / annually?

As per the current practice, Penal Charges are levied monthly in case of financial default and non-financial charges will be as per the frequency mentioned in the Sanction Letter.

Q3. Where can I check penal charges applicable for my loan?

Details of Penal Charges will be in Statement of Account, or you can contact your Branch Service Relationship Manager for details.

Q4. How can I make the payments towards overdue amount and penal charges?

To make overdue payments, please fund the operative CC / OD / CA account with requisite amount for recovery.

Q5. If I pay partial amount of the penal charges, how will the amount be adjusted?

Payment collected will be adjusted towards the oldest overdue instalment EMI / Pre EMI, interest on overdue instalment EMI, Penal Charges, etc. If instalment EMI, interest, and charges are generated on the same day, the amount will be adjusted first towards instalment and balance towards overdue interest and then for the charges.

Q6. Will I be charged any interest on the penal charge?

No, you will not be charged any further interest on the penal charge.

Q7. If I default on one loan payment, will penal charges be levied to only that loan account payment or for all other accounts that are linked to me?

You will be charged penal charges only on the loan accounts for which you have defaulted.

Q8. Will I be charged GST on penal charges?

Yes, GST will be charged on penal charges.

Q9. Will I be issued a GST Certificate?

GST Certificate will be issued if your GST number is updated in the loan account. For issuance of GST Certificate, kindly contact your Branch Service Relationship Manager.

Q10. Will GST be refunded to me if the overdue amount is cleared?

Since GST is applicable on penal charges, it will not be refunded.

Q11. For multiple breaches, how will the penal charges be levied? Will it be a consolidated charge, or will there be multiple entries to my account?

Penal Charges will be levied per instance. For multiple breaches, the charges will be separate. However, per instance, the capping is at INR 1 lakh for financial irregularity.

Q12. For multiple breaches, if Penal Charges are waived for 1 of the parameters, how will the amount be charged with capping?

In case of multiple breaches, where the total Penal Charges amount per instance is above the capping limit, Penal Charges up to the capping limit will be charged. If there is waiver for 1 of the parameters, the corresponding amount will be reversed and total Penal Charges for remaining parameters will be charged (up to maximum capping).

For instance: Penal Charges for Parameter 1	INR 75,000.00
Penal Charges for Parameter 2	INR 75,000.00
Total Calculated Penal Charges	INR 1,50,000.00
Capping Amount	INR 1,00,000.00
Actual Amount Charged	INR 1,00,000.00

Please refer below examples for calculation of penal charges and GST

Financial Overdue (Overdue / Overdrawn / Non-Renewal) Existing Scenario

Principal: INR 1,00,00,000

Normal interest / instalment amounts not paid: INR 10,00,000

Overdue days: 30

Penal Charges on overdue at 4% p.a. = **INR 3288** (On 10,00,000 for 30 days)

Interest for next period will be charged on the entire outstanding amount. There is no capping on Penal Charges.

As per Revised Methodology

Principal: INR 1,00,00,000

Normal Interest / Instalment amount not paid: INR 10,00,000

Overdue days: 30

Penal Charges on overdue at 8% p.a. + GST = INR 6575 (On 10,00,000 for 30 days) + 18% of 6575 = **INR 7759**

Outstanding balance will continue to be utilized amount + normal interest / instalment not paid. Normal interest will continue being charged on outstanding balance and Penal Charges at a flat rate on overdue amount will be charged every month till regularization.

Further, interest will not be charged on Penal Charges i.e., INR 7759, till recovery is done. This amount will be recovered from operative A/c as per the availability of balance.

Penal Charges will be at account level. Penal Charges at account level is capped at INR 1,00,000 per instance, plus GST as applicable.

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