

Baroda Rajasthan Kshetriya Gramin Bank,
Head office Ajmer
Fair Lending Practice - Penal Charges in Loan Accounts

In reference to RBI circular No. RBI/2023-24/53 DoR.MCS.REC.28/ 01.01.001/2023-24 dated August 18, 2023, RBI/2023-24/102 DoR.MCS.REC.61/ 01.01.001/2023-24 dated December 29, 2023 and FAQs dated 15.01.2024 w.r.t. charging of Penal Charges in Loan Accounts for all the Regulated Entities (REs).

In line with above guidelines, relevant provisions are mentioned as under:-

1. As per RBI directives, The Bank will levy penal charge @ 2% p.a. [with no capitalization i.e. no further interest computed on such charges] in eligible cases e.g. for delay in submission of financial statements, stock statements, creation of security, over dues, breach of covenants etc. without any explicit approval /concurrence of appropriate authority, and this penalty shall now be treated as penal charges. However, this will not affect the normal procedures for compounding of interest in the loan account.
2. No additional component is proposed in Rate of Interest on loan accounts.
3. Penal Charges @ 2.00 % p.a. shall be charged, irrespective of type of loan product and constitution of loan account.
4. Quantum and reason for penal charges to the customers to be mentioned in the loan agreement and most important terms & conditions/Key Fact Statement (KFS) as applicable in all eligible cases.
5. The applicable penal charges to be communicated whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers,

The provisions are effective 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 effective from the next review/ renewal date falling on or after April 1, 2024, but not later than June 30, 2024.