Anson Fincorp Private Limited

Reg. Office: Door No. XIV/1057, Anson Tower, B. Ed College Junction, Nedumkandam P.O, Nedumkandam, Idukki, Kerala - 685553 India

POLICY ON PENAL CHARGES

Version Control		
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Prepared by	Secretarial Department
Custodian	Company Secretary
Reviewed by	Board of Directors
Approved by	Board of Directors

1. Introduction

Anson Fincorp Private Limited ("the Company") is a Non-Banking Financial Company registered with the Reserve Bank of India ("RBI") and classified as a Base Layer NBFC (NBFC-BL) in terms of the Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023.

The Reserve Bank of India, vide its circular RBI/2023-24/53 DoR.MCS.REC.28/01.01.001/2023-24 dated August 18, 2023, introduced a regulatory framework on *Fair Lending Practice – Penal Charges in Loan Accounts*, mandating Regulated Entities, including NBFCs, to levy penal charges in a transparent, reasonable and non-discriminatory manner and to discontinue the practice of charging penal interest.

Further, the RBI, vide its circular RBI/2023-24/102 DoR.MCS.REC.61/01.01.001/2023-24 dated December 29, 2023, issued additional clarifications to ensure uniform and proper implementation of the aforesaid framework across all loan products.

In compliance with the above directions and clarifications issued by RBI from time to time, the Company has formulated this Policy on Penal Charges, which sets out the guiding principles and conditions governing the levy of penal charges for non-compliance with material terms and conditions of loan agreements, with the objective of promoting credit discipline and fair treatment of borrowers.

2. Scope

This Policy shall apply to all borrowers and to all loan facilities sanctioned and disbursed by the Company. Penal Charges shall be levied by the Company only in cases of non-compliance with material terms and conditions of the relevant loan agreement, including default in repayment, wherever applicable. The applicable penal charges for each loan product shall be governed by this policy and the Board approved Penal Charges structure forming part of **Annexure A.**

3. Key Principles

In compliance with the aforesaid circulars and directions issued by the Reserve Bank of India ("RBI"), the following key principles shall govern the levy of penal charges by the Company:

(i) The objective of levying penal charges is to promote credit discipline among borrowers, and not to enhance the company's revenue over and above the contracted rate of interest.

(ii) Penal charges, if levied for non-compliance with material terms and conditions of the loan agreement, shall be treated strictly as **'penal charges'** and shall not be levied in the form of **'penal interest'.**

(iii) Penal charges shall not be capitalised, and no further interest shall be charged or computed on such penal charges.

(iv) No additional component by way of penal charges shall be added to the applicable rate of interest of the loan.

(v) The Company shall adopt a Board-approved Penal Charges Structure that is reasonable, transparent and commensurate with the nature and extent of non-compliance with the material terms and conditions of the loan agreement. The penal charges applicable within a particular loan or product category shall be uniform, irrespective of the constitution of the borrower.

(vi) The Board-approved Penal Charges Structure, specifying the applicable penal charges for each loan product and category of default, shall form an integral part of this Policy as **Annexure A**. Any amendment to the Penal Charges Structure shall be made only with the prior approval of the Board of Directors.

(vii) Whenever reminders are issued to borrowers for non-compliance with material terms and conditions of the loan agreement, the applicable penal charges shall also be communicated. Further, in cases where penal charges are levied, the borrower shall be informed of the instance and reason for such levy.

4. Product-level penal charges

The Company offers the following categories of loan products:

i. Gold Loan

ii. Term Loan

iii. Business Loan

The penal charges applicable to each loan product and category of default shall be governed by the **Board-approved Penal Charges Structure** attached as **Annexure A**, which forms an integral part of this Policy.

Penal charges shall be levied only in cases of non-compliance with material terms and conditions of the relevant loan agreement. Default in repayment, wherever applicable, shall also be treated as non-compliance with material terms and conditions of the loan agreement.

4.1 Gold Loans

The Company does not levy any penal charges in respect of Gold Loans.

Accordingly, in case of delay or default in repayment under Gold Loan facilities, no penal charges shall be imposed on the borrower. The account shall, however, be dealt with in accordance with the terms of the loan agreement and applicable laws, including recovery or enforcement of security, wherever applicable.

4.2 Term Loans

Term Loans are granted to individual and non-individual borrowers with repayment through Equated Monthly Instalments (EMIs) and for varying tenures.

In case of delay or default in payment of any EMI beyond the due date or applicable grace period, the Company may levy penal charges in accordance with the **Board-approved Penal Charges Structure** forming part of **Annexure A**, as disclosed in the Loan Agreement and the Key Fact Statement (KFS).

The penal charge applicable to Term Loans shall be:

(i) uniform across all Term Loan borrowers, irrespective of tenure or constitution of the borrower; and

(ii) levied only once for each instance of default, and not on a recurring or time-based basis.

(iii) not be recurring or linked to the period of delay.

4.3 Business Loan

Business Loans granted by the Company are repayable on demand and are sanctioned for a tenure of twelve (12) months. The borrower may repay the principal amount and/or interest at any time during the tenure of the loan. Upon expiry of the tenure, the loan may be renewed at the discretion of the Company, subject to payment of all interest due and compliance with the terms and conditions of the loan agreement.

In the event the Company issues a demand notice requiring repayment of the outstanding principal and/or interest at any time during the tenure or upon expiry of the loan tenure and the borrower fails to comply with such demand within the period specified in the notice, the Company may levy penal charges in accordance with the **Board-approved Penal Charges Structure** forming part of **Annexure A**, as disclosed in the Loan Agreement and the Key Fact Statement (KFS).

Such penal charge shall:

(i) Be levied only upon failure to comply with a valid demand or renewal-related obligation;

(ii) Be one-time and non-recurring for the same instance of non-compliance; and

(iii) Not be linked to the duration of delay, tenure of the loan, or the outstanding amount.

4.4 Disclosure and Communication

The quantum, basis and conditions for levy of penal charges for each applicable loan product shall be clearly disclosed to borrowers through:

(i) The loan agreement;

(ii) The Key Fact Statement (KFS); and

(iii) The Company's website.

Wherever penal charges are levied, the borrower shall be informed of the instance of default, the reason for levy and the amount of penal charges. Wherever reminders are issued for such non-compliance, the applicable penal charges shall also be communicated to the borrower.

5. Waiver

The Company may consider waiver of penal charges in genuine cases where delay in payment, irregularity or non-compliance with material terms and conditions of the loan agreement has occurred due to bona fide reasons, including but not limited to natural calamities, temporary suspension of business operations, or other unforeseen circumstances beyond the control of the borrower.

While considering any request for waiver of penal charges, the Company shall, inter alia, take into account the following factors:

(i) Financial condition and performance of the borrower;

(ii) Conduct of the loan account, including repayment track record; and

(iii) Availability and enforceability of security, if any

(iv) Any other relevant facts and circumstances considered material by the competent authority.

Any waiver of penal charges shall be granted only with the prior approval of the competent authority in accordance with the Company’s delegation of authority and applicable internal policies.

6. Review

This Policy shall form part of the Company's Interest Rate Policy. The Policy shall be reviewed by the Board of Directors **periodically**, or earlier, if required, on account of any amendment in the applicable laws, regulations or regulatory directions, or changes in the Company's business or operational requirements.

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ANNEXURE A

BOARD-APPROVED PENAL CHARGES STRUCTURE

(Forming an integral part of the Policy on Penal Charges)

1. Purpose

This Annexure sets out the **Board-approved Penal Charges Structure** of Anson Fincorp Private Limited in accordance with the **Policy on Penal Charges** and the **Reserve Bank of India Circular No. RBI/2023-24/53 DoR.MCS.REC.28/01.01.001/2023-24 dated August 18, 2023**, as amended from time to time.

2. Penal Charges Structure

Sl No	Loan Product	Event of Default / Non-compliance	Penal Charge	Basis of Levy
1.	Gold Loan	Delay or default in repayment	Nil	No penal charges are levied on Gold Loan accounts.
2.	Term Loan	Delay or default in payment of EMI beyond the due date or applicable grace period	2% of the overdue EMI amount	One-time charge for each instance of default.
3.	Business Loan	Failure to comply with a demand notice for repayment of the outstanding principal and/or interest within the period specified in such notice	2% of the overdue or demanded amount	One-time charge for each instance of non-compliance.

3. General Conditions

The following conditions shall apply to all penal charges specified above:

1. Penal charges shall be levied only for non-compliance with the material terms and conditions of the loan agreement.
2. Penal charges shall be one-time in nature and shall not be levied on a monthly, periodic or recurring basis for the same instance of default.
3. Penal charges shall not be linked to the time value of money and shall not be treated as penal interest.
4. Penal charges shall not be capitalised, and no further interest shall be charged or computed on such penal charges.

5. The structure of penal charges shall be uniform within each loan/product category, irrespective of the constitution of the borrower.

6. The applicable penal charges shall be disclosed in the Loan Agreement, Key Fact Statement (KFS) / Most Important Terms and Conditions, and on the Company's website, wherever applicable.

7. Whenever penal charges are levied, the borrower shall be informed of the instance of default, the reason for levy, and the amount of penal charges.

8. Any waiver of penal charges shall be governed by the provisions of the Policy on Penal Charges and the Company's internal delegation of authority.

4. Review and Amendment

This Annexure forms an integral part of the Policy on Penal Charges.

Any modification to the Penal Charges Structure contained herein shall be made only with the prior approval of the Board of Directors and shall take effect from the date approved by the Board.

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