

**RIWAAZ INVESTMENTS PRIVATE LIMITED**

**PENAL CHARGES POLICY**

**(VERSION 1)**

*Version 1.0*

<b>Proposed by</b>	:	Chief Compliance Officer
<b>Approved by</b>	:	Board of Directors on 15 <sup>th</sup> April, 2024
<b>Department</b>	:	Finance and Accounts

Version Control

<b>Year</b>	<b>Version</b>	<b>Board Approval Date</b>	<b>Change Detail (If any)</b>
2024	1.0	15 <sup>th</sup> April 2024	Original

## 1. Introduction

The Reserve Bank of India issued Notification in the form of Circulars 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) which states about Fair Lending Practice - Penal Charges in Loan Accounts. RBI advised the NBFCs to levy the Penal charges in case of non-compliances or and any violations as expressly indicated by NBFCs and to disclose the amount of Penal charges, terms & Conditions of applicability and rationale for charging the penal charges from defaulter borrowers.

Keeping in view the RBI Guidelines in the form of Circulars cited above, the internal guiding principle have been laid out by the Board of Riwaaz Investments Private Limited (hereafter referred to as “RIPL” or “Company”). This policy should always be read in conjunction with RBI’s guidelines, directives, circulars, instructions and FAQ issued from time to time. RIPL ensures fair practice and transparency to its customers and accordingly this Penal charges Policy is also published on Company’s website i.e. [www.riwaazinvestments.com](http://www.riwaazinvestments.com). This policy outlines the principles and procedures for imposing penal charges in loan accounts.

## 2. Scope/ Objective:

This policy applies to all loan products offered by RIPL to Individual and Non-Individual Borrowers.

The **objective** of this policy is to:

- Inculcate credit discipline among borrowers;
- Ensure transparency and reasonableness in the imposition of penal charges; and
- Minimize customer grievances and disputes related to penal charges.

## 3. Principles/ Terms and Conditions:

- Penal charges for non-compliances with loan terms and conditions shall be treated separately from the interest rate and shall not be added to the interest rate charged on loans. Further, no Additional penal charges be levied on the earlier outstanding amount of penal charges.
- Penal charges shall be reasonable and commensurate with the non-compliance of material terms and conditions of the loan contract.
- No additional component will be added to the rate of interest in the form of 'Penal Interest'. Penal charges will be levied separately on unpaid dues only.
- Penal charges for individual borrowers (non-business purposes) shall not exceed those for non-individual borrowers for similar non-compliance.
- The quantum and reasons for penal charges shall be clearly disclosed to customers in loan agreements, terms & conditions/Key Fact Statement, and on Company's website. The Penal charges levied by the Company are given in the below mentioned table.

Particular	Definition/Formula	Remarks
Penal Interest	$(EMI \text{ amount overdue} * \text{Default days} * 24\%) / 365$	Penal charges will be levied on the unpaid EMIs due from the customer at the rate of 24% per annum for the number of days such due EMIs remain unpaid. No compounding of penal charges
PDC/ECS/NACH Bounce Charges	INR 700 to 1,500 + Applicable taxes	(INR 700 to 1,500 + Applicable taxes for each bounces)

#### **4. Time to levy/ Procedure:**

The Penal Charges shall be imposed in the following procedure:

- Whenever reminders for non-compliance of material terms and conditions of the loan are sent to borrowers, the applicable penal charges shall be communicated.
- Any instance of the levy of penal charges and the reason therefor shall also be communicated to the borrower.
- Penal charges shall not be capitalized, i.e., no further interest shall be computed on such charges.
- Interest is charged from the date of actual disbursement of funds to the customer and not from the date of loan sanction or execution of the loan agreement.

#### **5. Implementation:**

This policy shall come into effect from April 01, 2024 and the Company shall ensure its implementation in respect of all fresh loans availed/renewed from the effective date.

For existing loans, the transition to the new penal charges regime shall be ensured on the next review or renewal date or within six months from the effective date of this policy, whichever is earlier.

#### **6. Application of Interest:**

RIPL shall adopt a practice of charging interest only for the period the loan was outstanding during the month, in cases of mid-month disbursal or repayment.

Interest shall not be charged for the entire month when loans are disbursed or repaid during the course of the month, ensuring fairness and transparency in interest calculation.

#### **7. Review and Amendment:**

A board-approved policy on penal charges or similar charges, if any on loans shall be formulated, reviewed periodically, and updated as necessary. This policy shall be reviewed periodically to ensure its effectiveness and may be amended as required with the approval of the board of directors.

#### **8. Communication:**

This policy shall be communicated to all concerned departments and their Head of Departments of the Company to comply this policy in true and letter spirit.

#### **9. Documentation:**

A copy of this policy shall be maintained in the records of the Company and made available for inspection by regulatory authorities.