



PENAL CHARGES POLICY

OF

MPOKKET FINANCIAL SERVICES PRIVATE LIMITED

Summary of Policy

Version	Issue & Effective Date	Review Periodicity	Approving Authority	Policy Owner
V1	30-10-2023	As and when	Board of Directors	Compliance Dept
V2	22-01-2025	As and when	Board of Directors	Compliance Dept

Review Date	Next Review	Comments/Remarks/Changes
15-12-2023		Review

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1. INTRODUCTION

“mPokket Financial Services Pvt. Ltd.” (MF SPL / the Company) is an RBI registered Non-Banking Financial Company identified as NBFC- Middle Layer “NBFC-ML” in accordance to RBI Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023.

The Reserve Bank of India “RBI” vide its circular “DoR.MCS.REC.28/01.01.001/2023-24 dated August 18, 2023 titled as “Fair Lending Practice - Penal Charges in Loan Accounts” has directed certain Regulated Entities “REs”, including all NBFCs, to frame a policy on penal charges. In compliance with the said requirement, the Board of Directors of the Company has formulated and adopted the Penal Charges Policy, which lays down the broad framework and specific terms and conditions regarding penal charges to be charged by the Company to its borrowers. This policy shall be made effective for fresh loans on or before January 1, 2024 and for existing loans on or before February 18, 2024.

2. SCOPE

This policy applies to all borrowers and all loans disbursed by the Company.

3. KEY PRINCIPLES

In compliance with the referred circular and Directions issued by RBI, the key principles based on which the terms and conditions for penal charges have been framed are as follows:

- The intent of levying penal interest/charges is essentially to inculcate a sense of credit discipline and such charges are not meant to be used as a revenue enhancement tool over and above the contracted rate of interest.
- Penalty, if charged, for non-compliance of material terms and conditions of loan contract by the borrower shall be treated as ‘penal charges’ and shall not be levied in the form of ‘penal interest’.
- There shall be no capitalisation of penal charges i.e., no further interest computed on such charges.
- No additional component shall be added to the rate of interest.

- The quantum of penal charges shall be reasonable and commensurate with the noncompliance of material terms and conditions of loan contract without being discriminatory within a particular loan / product category.

4. STRUCTURE OF PENAL CHARGES

Currently, penal charges are only to be levied if repayments are not made by the respective due date and penal charges are not envisaged for any other non-compliances related to other terms and conditions of the loan. To maintain proportionality in levying penal charges, slabs have been created based on the repayment amount due. The Company currently does not have a repayment amount due exceeding Rs.3500 and hence the highest slab has been kept as Rs.3000 to Rs.3500. If higher repayment amounts become due in future, slabs can be added as necessary.

Penal Charges for Bullet Loans and instalment Loans (till September 15, 2024)

										Amount in INR	
Instalment Due		Penal Charges									
Lower limit	Upper Limit	DPD 1-10	DPD 11-20	DPD 21-30	DPD 31-40	DPD 41-50	DPD 51-60	DPD 61 and onwards (for every 10 days)	Maximum Penal Charges	Maximum No. of days	Annualised %
1	1000	40	30	30	20	20	20	6	400	460	32%
1001	1500	60	45	45	30	30	30	9	600	460	32%
1501	2000	80	60	60	40	40	40	12	800	460	32%
2001	2500	100	75	75	50	50	50	15	1000	460	32%
2501	3000	120	90	90	60	60	60	18	1200	460	32%
3001	3500	140	105	105	70	70	70	21	1400	460	32%

Penal Charges on Instalment Loans w.e.f. September 16, 2024

										Amount in INR	
Instalment Due		Penal Charges									
Lower limit	Upper Limit	DPD 1-10	DPD 11-20	DPD 21-30	DPD 31-40	DPD 41-50	DPD 51-60	DPD 61 and onwards (for every 10 days)	Maximum Penal Charges	Maximum No. of days	Annualised %

1	100	4	3	3	2	2	2	1	40	460	32%
101	250	10	8	8	5	5	5	2	100	460	32%
251	500	20	15	15	10	10	10	3	200	460	32%
501	1000	40	30	30	20	20	20	6	400	460	32%
1001	1500	60	45	45	30	30	30	9	600	460	32%
1501	2000	80	60	60	40	40	40	12	800	460	32%
2001	2500	100	75	75	50	50	50	15	1000	460	32%
2501	3000	120	90	90	60	60	60	18	1200	460	32%
3001	3500	140	105	105	70	70	70	21	1400	460	32%

Note 1: The above annualized % is computed based on the maximum Penal Charges on the upper limit and considering the maximum no of days up to which it shall apply.

Note 2: GST charges will be levied on the above as applicable and will be payable by borrower

Note 3: DPD1 refers to 1 day past due (next day after due date) and so on

The charges are structured keeping in mind the following objectives:

- A fee will be levied every 10 days starting with the date a repayment goes overdue so as to encourage borrowers to make delinquent payments as early as they can to avoid additional charges. However, to not overburden borrowers, a maximum limit will be set on the total fees that can be levied.
- A higher one-time charge on the day a loan goes overdue is meant to encourage borrowers to make their repayments on time. This amount is set at 4% of the amount due (upper limit).
- Once a repayment is overdue, to encourage borrowers to repay within 30 days of due date, the charges on DPD11 and DPD21 are set at 3% of the amount due (upper limit).
- If a repayment continues to be overdue after DPD30, in order to encourage payment within 60 days of due date, the charges on DPD31, DPD41 and DPD 51 are set at 2% of amount due (upper limit).
- If a repayment continues to be overdue beyond 60 days, a charge of 0.6% of amount due (upper limit) will continue to be levied every 10 days until the maximum limit is reached.

- The maximum limit for late charges has been set at 40% of amount due (upper limit), which can be considered to be reasonably high to act as a deterrent for delayed payments and at the same time does not overburden borrowers.

Interest will be levied only on the repayment amount due (and not on late charges) from the due date on a simple interest basis. The interest rate applicable on the repayment amount due will be the same as the interest rate on the respective loan. In order to give relief to borrowers to the extent possible, the interest will not even compound on an annual basis. E.g., for a repayment due of Rs.1100, assuming 24% interest rate, after 24 months from due date, the total interest accrued will be Rs.528 [$\text{Rs.1100} \times 24\% \times 2$] and not Rs. 691 [$(\text{Rs.1100} \times (1+24\%)^2) - 1$].

Further, the quantum and reason for penal charges shall be clearly disclosed to the customers in the loan agreement and most important terms & conditions / Key Fact Statement (KFS), in addition to being disclosed on the Company website. In addition to reminders sent to borrowers for non-compliance of material terms and conditions of loan, the Borrowers shall also be communicated about the applicable penal charges alongwith the instance of levy of penal charges and the reason thereof.

5. Bounce Charges:

Bounce Charges mean charges for (i) dishonor of any payment instrument; or (ii) non-payment of instalment(s) on their respective due dates due to dishonor of payment mandate or non-registration of the payment mandate or any other reason.

The bounce charges will be charged on DPD2 (i.e. two days after due date).

Bounce charge will be applicable only once for each instalment.

Loan Amount	Bounce Charge (in Rs.)
500	25
1000	50
2000	100
4000-25000	150