

## **Penal Charges in Loan Account**

- I. Union Bank of India has introduced guidelines on 'Penal Charges on Loan Account' w.e.f. 01.04.2024 in terms of RBI notification on Fair Lending Practices - Penal Charges in Loan Account.
- II. The Penal Charges shall replace the existing guidelines on Penal Interest.

The guidelines on Penal Charges are as under:

- 1) If any of the conditions spelt out hereunder are observed in the borrowal account, the same will attract Penal charges of 1% p.a. each subject to maximum of 2% p.a.
  - i. Non-compliance of terms of sanction. Till such time the terms are complied with.
  - ii. Non-Submission/delayed submission of Stock Statements: submitted after 15th of the subsequent month. In case of consortium, timelines as defined in extant loan policy.
- 2) In respect of the following, 2% Penal Charges to be charged:
  - i. Non-Submission/delayed submission of QPR. [Non-submission of MSOD will not attract Penal Charges].
  - ii. Return of Cheques Purchased/Discounted: from the date of purchase till adjustment.
  - iii. Return of Bills Purchased/Discounted: from the date of purchase till adjustment.
  - iv. Non-submission of Audited Financials in time: Penal charges to be charged from 15th November till the date of submission.
  - v. Delayed submission of CMA/Renewal data (for the period beyond due date)
  - vi. Delayed payment of Term Loan/DPGL installments: for the period of delay in respect of the installments delayed.  
  
-Penal charges will also be applicable to overdue EMIs
  - vii. Delay in payment of UBDs: for the period of delay from due date.
  - viii. Excess over limit/Drawing Power: On the amount in excess of limit / DP for the period of excess  
  
- This will not be applicable for Export facilities.
  - ix. Ad Hoc facilities sanctioned.  
  
-Ad Hoc Export facilities will not attract Penal charges.

- 3) In case of Base Rate / MCLR / EBLR linked loans, maximum penal charges of 2% will be charged.
- 4) Borrowers enjoying Fund Based limits up to and inclusive of Rs 25000/= under Priority Sector and others enjoying Fund Based limits up to and inclusive of Rs 5000/= are exempt from charging Penal Charges.
- 5) The aspect of penal charges in loan account shall replace the hitherto concept of penal interest in all the schematic/ cluster etc guidelines of Bank.
- 6) There shall be no capitalisation of penal charges i.e., no further interest computed on such charges.
- 7) Goods and Service Tax (GST) shall be applicable over and above the Penal Charges as per extant guidelines on applicability of GST on service charges for advances.
- 8) The prescribed instructions on penal charges above are not applicable in case of rupee/ foreign currency export credit and other foreign currency loans.
- 9) Bank has not introduced any additional component to the rate of interest.
- 10) The instructions shall be implemented in respect of all the fresh loans availed from 01.04.2024 onwards.
- 11) In the case of existing loans, the switchover to new penal charges regime shall be ensured on the next review/ renewal date falling on or after 01.04.2024, but not later than 30.06.2024.
- 12) **Any Further details on Applicability of Penal Charges in Loan Accounts can be obtained from the Branch Manager of the nearest Branch.**