

**EPIMONEY PRIVATE LIMITED**

# Policy on Fair Lending Practices for Levy of Penal Charges

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Detailed Policy Document

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## 1. **INTRODUCTION:**

The Domain name *flexiloans.com* (“**website**”) is owned by Epimoney Private Limited, (“the **Company**” or “the **Lender**”). The Company is a Non-Deposit taking Non-Banking Financial Company (NBFC) registered with the Reserve Bank of India (RBI) and is inter alia engaged in the business of providing financial assistance to various business entities including small and medium enterprises in the form of facilitating access to various loan products from time to time.

The Company has laid this policy with reference to the extant RBI Guidelines on Fair Lending Practice on Penal Charges, dated 18th August 2023 and the same is also approved by the Board of Directors on 1 January 2024. Now certain revisions are carried out in this Policy post the issuance of RBI FAQs on Fair Lending Practice - Penal Charges in Loan Account dated January 15, 2024

## 2. **OBJECTIVE:**

The intent of levying Penal Charges is to inculcate a sense of credit discipline in the defaulting borrowers. The Policy is intended to ensure reasonableness and transparency in disclosure of Penal Charges charged by the Company to its’ borrowers under its financing products and the quantum thereof, and to ensure that the quantum of Penal Charges for non-compliance of material terms and conditions are reasonable and commensurate to the non-compliance and shall not be discriminatory for a particular loan/product.

## 3. **TIMELINE FOR IMPLEMENTATION:**

The instructions mentioned in the RBI circular shall come into effect from April 1, 2024. In the case of existing loans, the switchover to the new Penal Charges regime shall be ensured on the next review or renewal date or six months from the effective date of the RBI circular, whichever is earlier.

## 4. **PROPOSED POLICY:**

- 4.1 Penalty for non-compliance will be charged in case of an event of default as mentioned in the loan agreement(s) and other financing documents (collectively “**Financing Documents**”). Examples of event of default include: -
- (i) Borrowers’ failure to pay to the Lender any amount when due and payable on the relevant due date(s) or when demand is made by the Lender.
  - (ii) Borrowers’ failure in performing any of his/her obligations under the relevant Financing Documents(s) or for the breach of any of the terms or conditions of the Financing Documents.
- 4.2 The Penal Charges in case of loans sanctioned to ‘individual borrowers, for purposes other than business’, shall not be higher than Penal Charges to non-individual borrowers for similar non-compliance of material terms and conditions of the Financing Documents.

## **5. CATEGORY OF PRODUCTS AND APPLICABLE PENAL CHARGES**

### **5.1 Term Loans/ Drop-Line Loan Products:**

- a) **Penal Charges (defined below):** Upto **3%** per month on principle overdue amounts (Plus applicable taxes) for the prorated tenor of days in default.  
“**Penal Charges**” means the charges payable by the borrower in the event of borrower’s failure to comply with any of the terms of sanction of the Facility or failure to pay the EMIs accruing due to the Lender, as per the Financing Documents.
- b) **Bounce Charges (In Rs. / Per bounce):** Upto **INR 750/-** (Plus applicable taxes) per instance. “**Bounce Charges**” means the amount payable by the borrower to the Lender as a penalty where the Payment instrument issued by the borrower is not honored by the issuing banks.
- c) **Late Payment Collection Charges:** Upto **INR 1,000/-** (Plus applicable taxes) after 3 days of due date for initiating collection proceedings.
- d) **Foreclosure Charges:** Upto **5%** of the Principal Outstanding that is proposed to be foreclosed before the expiry of due date.

### **5.2 Supply Chain Finance:**

- a) **Penal Charges:** Upto **3%** (Plus applicable taxes) per month on outstanding obligations as per the facility documents for the prorated tenor of days in default.
- b) **Bounce Charges:** Upto **Rs. 1,000 for every NACH or cheque bounce** (Plus applicable taxes)
- c) **Late Payment Collection Charges:** Upto **INR 1,000/-** (Plus applicable taxes) after 3 days of invoice repayment due date for initiating collection proceedings. Wherever grace period is permitted, the said charges shall be levied after the expiry of the grace period only.
- d) **Foreclosure Charges:** Upto **5%** of the outstanding obligations proposed to be foreclosed before the expiry of due date.

## **6. OTHER SALIENT POINTS:**

- 6.1 There shall be no capitalization of Penal Charges i.e., no further interest computed on such charges.
- 6.2 The quantum and reason for Penal Charges shall be clearly disclosed by the Company to the borrowers in the Financing Documents including the most important terms & conditions / Key Fact Statement (KFS) as applicable, in addition to being displayed on the Company website under Interest rates and service charges.
- 6.3 Whenever reminders for non-compliance of material terms and conditions of the facility are sent to borrowers, the applicable Penal Charges shall be communicated to them. Further, any instance of levy of Penal Charges and the reason therefore shall also be communicated to the borrowers.

## **7. REVIEW OF POLICY:**

Post implementation, this Policy will be reviewed by the Board on an annual basis unless there is any regulatory requirement to amend this Policy in the interim.