

RESPO FINANCIAL CAPITAL PRIVATE LIMITED

Penal Charges Policy

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PENAL CHARGES POLICY

1. Introduction

As per Reserve Bank of India's ("RBI") circular on Fair Lending Practice - Penal Charges in Loan Accounts, dated August 18, 2023 ("Penal Charges Circular") and the Master Direction – Reserve Bank of India (Non-Banking Financial Company –Scale Based Regulation) Directions, 2023 dated October 19, 2023 ("SBR-MD"), Respo Financial Capital Private Limited ("Company") is required to formulate a board approved policy on penal charges or similar charges on loans.

The Company offers unsecured personal loans to its customer/ borrowers. In case of defaults/ non-compliance by the customer/ borrower, the Company may levy penal charges to inculcate a sense of credit discipline in its customers/ borrowers. The board of directors of the Company ("Board") have formulated and approved this policy on penal charges. ("Penal Charges Policy").

The Penal Charges Policy is to be read in conjunction with the Company's Interest Rate Policy and Fair Practice Code of the Company.

2. Key Objective

- To arrive at a mechanism of levying penal charges.
- To formulate a mechanism for communication of penal charges.

3. Penal Charges Model

The customer/ borrower will not be subject to penal interest but may be subject to levy of penal charges, as follows:

1. Delayed payment charges/ penal charges – A charge of INR 399 will be charged for failure to pay the principal component of the EMI on time.
2. In addition, late payment fee will be applied based on the slab below on a daily basis, until the overdue principal is paid by the customer / borrower. This is done with the aim of creating credit discipline where an individual on missing a payment repays the outstanding early and thus reduce overall penal charges.

| Default amount lower cap | Default amount upper cap | Default payment charges per day |
|--------------------------|--------------------------|---------------------------------|
| ₹ 0 | ₹ 500 | NIL |
| ₹ 501 | ₹ 5,000 | ₹ 12 |
| ₹ 5,001 | ₹ 15,000 | ₹ 24 |
| ₹ 15,001 | ₹ 25000 | ₹ 36 |
| Greater ₹ 25000 | | ₹ 48 |

- Maximum cap for late payment penalty charges is ₹2500/- per loan.

3. The Company may charge interest on unpaid interest (including on the unpaid interest component of the EMI) at the contracted rate of interest, till the date of remediation.

4. Principles

1. Penalty, if charged, for non-compliance of material terms and conditions of loan contract by the customer/ borrower shall be treated as 'penal charges' and shall not be levied in the form of 'penal interest' that is added to the rate of interest charged on the advances.
2. The quantum of penal charges shall be reasonable and commensurate with the non-compliance of material terms and conditions of loan contract without being discriminatory within a particular loan / product category.
3. There will be no capitalization of the penal charges i.e., no further interest shall be computed on such charges. Further, there will be no introduction of any additional component to the rate of interest.
4. If the non-payment by the customer/ borrower, of any amounts, including principal, interest, charges, fees etc., happens due to any technical issue, the Company will refund the levied penal charges, if any.
5. The above changes will be applicable to all new acquisitions as well as existing customers.

5. Communication

1. The quantum and reason for penal charges will be clearly disclosed by the Company to the customers upfront in the loan agreement and Key Fact Statement (KFS) and will be displayed on the Company's website under interest rates and service charges.
2. Customer will be informed/ notified when the penal charges are levied along with the reason for the same. This will be done at least once per default cycle.
3. Whenever reminders for non-compliance of material terms and conditions of loan are sent to the customer/ borrower, the applicable penal charges will be communicated.

6. Policy Review

This Penal Charges Policy will be reviewed and updated periodically for any changes, with the approval of the Board.