

## Importance of making timely payments

Making timely repayments for your loan EMI / interest / instalments is essential if you aim to access credit effortlessly in the future and enhance your credit worthiness.

### Consequences of EMI bounce / loan default of monthly instalment

When there is a default in servicing EMI / interest/ monthly instalment, it sets off a chain reaction of consequences that can significantly impact the borrower's financial well-being and reputation. Here is the key impact:

- **Penal Charges:** Banks impose late payment charges as a penalty when monthly payments / instalments are not paid as per the stipulated timelines.

### Impact on credit score

One of the most critical repercussions of a bounced EMI / monthly instalment / loan default is its adverse effect on the borrower's credit score. When a borrower misses an EMI payment / instalment, it is reported to Credit Bureau and this negative information reflects on their Credit Report. As a result, the borrower's credit score takes a hit. A lower credit score makes it difficult to secure credit facilities like loans or Credit Cards in the future. Even if the borrower manages to secure credit, it might come with unfavourable terms and higher interest rates due to the perceived risk associated with a lower credit score.

You will find below some frequently asked questions (FAQs) that arise due to the consequences of not making payments within the agreed timeline.

### FAQs on Penal Charges

#### 1. What are 'Penal Charges'?

'Penal Charges' is a type of penalty levied on loan account for various breaches. Penal Charges could be levied for financial irregularities like overdrawing in account, delay in servicing of interest and / or repayment of instalment / EMI, etc.

#### 2. What is the frequency of levying penal charges? Is it one-time / weekly / fortnightly / monthly / semi-annually / annually?

As per the current practice, in case of EMI based Term Loans, penal charges will be levied on the EMI due date (if EMI is bounced) subsequent to the date of breach / default.

### 3. Where can I check penal charges applicable for my loan?

You can check details of penal charges applicable / levied on your loan account through 'Statement of Account', view on Axis Bank Mobile Banking App 'open', Internet Banking, by calling on Phone Banking numbers, by visiting our Loan Centre or by visiting the 'Interest and Charges' page for the corresponding loan type on our website.

### 4. How can I make the payment towards overdue amount and penal charges?

In case of Term Loans, you may use any of the following methods to make overdue payments online:

- a. **Internet Banking:** Login >> Accounts >> Loans >> Select Loan no. >> Click on "Pay Overdue" >> Select the Account >> Enter the Amount >> Enter Net Secure Code (will be sent to your registered mobile number).
- b. **Mobile Banking:** Log into the Mobile Banking App, open >> Select Loans >> Click on Pay Overdue >> Select Savings Account (in case of multiple accounts) >> Validate it with your mPIN.

### 5. If I pay partial amount of the penal charges, how will the amount be adjusted?

Payment collected will be adjusted towards the oldest overdue EMI / Pre EMI, interest on overdue EMI, penal charges, etc. If EMI interest and charges are generated on same day, amount will be adjusted towards EMI first and balance towards interest on overdue EMI and then the charges.

### 6. Will late payment of charges impact my credit score?

If any type of charges (including penal charges) are not paid on time, the DPD (Days Past Due) is reported to the Credit Bureau, and it will impact your Credit Score.

### 7. Will I be charged any interest on the penal charges?

No, you will not be charged any further interest on the penal charges.

### 8. If I default on one loan payment, will penal charges be levied to only that loan account payment or for all other accounts that are linked to me?

You will be charged penal charges only on the loan accounts for which you have defaulted.

### 9. Will I be charged GST on penal charges?

Yes, GST (as per applicable GST rates) will be charged on the penal charges.

**10. Will I be issued a GST Certificate?**

GST Certificate will be issued if your GST number is updated in the loan account. For issuance of GST Certificate, kindly visit your nearest Loan Centre.

**11. Will GST be refunded to me if the overdue amount is cleared?**

Since GST is applicable on levying of penal charges, it will not be refunded.

**12. Is the circular applicable in case of digital loans too?**

Yes, the circular is applicable to digital loans as well.

Please refer below example for calculation of penal charges and GST

**Scenario:** You have a loan with an EMI of INR 10,000 at 12% annual interest rate. You have missed the deadline for paying monthly EMI on the loan. As a result, EMI is now overdue for a month.

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| <b>As per penal charge methodology</b> | <p>You will have to pay Interest on Overdue EMI @ 12% p.a. (A) + penal charges @ 8% p.a. (B) + GST on penal charge amount (C)</p> <p>You will have to pay: (A+B+C)</p> <p>A) Interest on Overdue EMI @ 12% p.a.= INR 10,000 x 12% for 30 Days = INR 99<br/>         B) Penal charges @ 8% p.a. = INR 10,000 x 8% for 30 days = INR 66<br/>         C) 18% GST on penal charge amount = INR 66 * 18% = INR 12</p> <p><b>Total = INR 99 + INR 66 + INR 12 = INR 176</b></p> |
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