

RAJASTHAN FINANCIAL CORPORATION

(LOANS SECTION)

Ref. No. RFC/LA-13(11)(B)/369

Dated : 01.06.2004

: PG CIRCULAR :  
(LA-395)

**Sub : Policy of Liquidated Damages (Penal Interest) being charged by the Corporation from the assisted units in case of default committed by them.**

In order to encourage regular repayment of Corporation dues by the assisted units, the Corporation has been charging liquidated damages from the defaulting assisted units for the period of default on amount in default.

The number of Industrial Associations as well as Entrepreneurs have been representing from time to time that the rate of liquidated damages is too high and it should be reduced. In the present scenario for getting business and also to compete with other financial institutions, Banks and Private Financial Institutions, the Board of Directors in its Meeting held on 30.03.2003 had reduced the rate of liquidated damages from 5.25% p.a. to 2% p.a. in Good Borrower and Potential Good Borrower cases and accordingly PG Circular No. 1014 dated : 10-7-2003 was issued.

The Board of Directors in its Meeting held on 17.05.2004 has now reduced the rate of liquidated damages as mentioned below w.e.f. 1-4-2004 and for simplification decided to keep uniform rate depending upon the loan amount irrespective of the fact as to whether payment is made in the same quarter or not.

The rate of liquidated damages (Penal Interest) in case of default on all existing as well as future loan A/cs (excluding all GB Schemes) w.e.f. 01-4-2004 would be as follows :-

	-----LOAN-----		
	Upto Rs.2 lacs	Above Rs. 2.00 lacs But not exceeding Rs. 10.00 lacs	Above Rs. 10.00 lacs.
Liquidated Damages	NIL	2%	3%

The benefit of reduction in rate of liquidated damages would be applicable in all existing and future cases for the interest to be charged w.e.f. 1-4-2004. It is further clarified that interest already debited on 1.4.2004 (for the period upto 31-3-2004) will remain unchanged. The penal interest debited in the past shall remain as per debits already made in the loan account (s) of the borrowers till 31-3-2004.

Accordingly FA-3 Para 3.4 (ii) is to be substituted w.e.f. 1-4-2004 as above and para 3.4 (iii) is deleted with effect from 1-4-2004 at Page 536 of PG and FR-I (page 322 of PG) para 1.57 (ii)(b) is also to be substituted as above w.e.f. 1-4-2004 and para 1.57

(ii)(a) is deleted w.e.f. 1.4.2004. Para 1.57 (iii) at page (322) is to be substituted w.e.f. 1-4-2004 as under:

" Benefits as at (i) Para 1.57 (page 322 of PG) shall be given by Branch Manager as and when required as per norms of the Corporation prevailing from time to time by calculating the rebate manually, if otherwise not given by Computer."

All concerned are advised to take note of above and ensure compliance.

Sd/-  
**(J. P. Vimal)**  
**Executive Director**