

Policy for refund/adjustment of ‘interest on interest’ on relief provided to customers impacted by COVID-19 outbreak

Scope: India

Issuer: IBG and CBG

Global ID:

1 Guiding Principle

The Reserve Bank of India (RBI) announced various measures including moratorium on Equated Monthly Instalments (EMI) payment for term loans/ deferment of interest in working capital facilities. (RBI Notification Ref: no RBI/2019-20/ 186 DOR.No.BP.BC.47/21.04.048/2019-20 “COVID-19 – Regulatory Package” dated March 27, 2020), which were further supplemented by Circular DOR.No.BP.BC.63/21.04.048/2019-20 dated April 17, 2020 and DOR.No.BP.BC.71/ 21.04.048/2019-20 dated 23 May 2020.

DBS Bank India Ltd. (DBIL) had laid down a Board approved “Policy for granting relief to customers impacted by COVID-19 outbreak”, providing the guidelines to be followed for providing relief to the eligible customers in accordance with the above notifications. Clause 2.3.5 of the above policy allowed the Bank to charge additional interest on the unpaid interest amount which has been deferred in any manner, such as capitalization, conversion to FITL or as ad hoc limit or any other manner. However, RBI vide notification no. RBI/2021-22/17 DOR.STR.REC.4/21.04.048/2021-22 dated 7 April, 2021 prescribed that in view of the decision of the Hon’ble Supreme Court of India, Banks should lay down a Board approved policy to refund/adjust the ‘interest on interest’ charged to the borrowers during the moratorium period, i.e. March 1, 2020 to August 31, 2020 in conformity with the above judgement.

This policy lays down the methodology that will be adopted by the Bank in giving effect to the RBI guidelines for refunding/ adjusting interest on interest that may have been charged from the customers of DBIL during the moratorium window applicable from 1 March 2020 to 31 August 2020.

2 Policy

2.1. Taking into account the various methods by which relief was given to the customers during the moratorium window, such as rescheduling the payment of Principal/ and or Interest by way of ad hoc facilities, creating FITL, capitalization of interest, etc., the Bank has laid down detailed methodology for refunding / adjusting the interest on interest component:

- For IBG (including PSL) customers vide [Appendix 1](#)
- For CBG customers vide [Appendix 2](#)

The appendices lay down the method of calculating the excess amount to be refunded under different scenarios, the process of refunding the same to customers, grievance redressal mechanism, maintenance of MIS, etc.

- 2.2. As far as feasible, the Bank will adopt the methodology finalised by the Indian Banks Association (IBA) for calculation of the amount to be refunded/adjusted for different facilities.
- 2.3. This relief shall be applicable to all borrowers, including those who had availed of working capital facilities during the moratorium period, irrespective of whether moratorium had been fully or partially availed, or not availed.
- 2.4. The Bank has already disclosed the aggregate amount on approximate basis to be refunded/adjusted in respect of its borrowers based on the above reliefs in their financial statements for the year ending March 31, 2021.
- 2.5. Asset classification of borrower accounts shall be in accordance with the Policy for granting relief to customers impacted by COVID-19 outbreak dated 10 June 2020.

3 Key Responsibilities

Respective Business teams (IBG/PSL/CBG) shall be responsible along with T&O (Operations) to complete the process of refund in terms of this policy.

4 Governance

4.1 Ownership and Approving Authority

This Policy shall be owned by IBG, CBG and approved by the Board of DBIL. In case of exigencies, DBIL CEO may approve changes to this policy, subject to subsequent ratification by the Board.

4.2 Review

This policy provides a one-time methodology to provide refund/ adjustment of interest on interest to customers during the moratorium window and will automatically lapse once the process is completed.

Appendix 1 Refund / adjustment for IBG customers

Eligible Accounts:

1. Borrower accounts which were standard as on 29.02.2020 including SMA-0, SMA-1 and SMA-2 will be eligible for the refund.
2. Aggregate fund based outstanding from all lenders of Rs.2 Crs. and above where compound interest/interest on interest/ penal interest for non-payment/delayed payment was applied during moratorium.
3. Aggregate fund based outstanding of less than Rs.2 Crs from all lenders where compound interest/interest on interest/penal interest for non-payment/delayed payment was applied during moratorium and refund not provided under the Ex-gratia scheme due to whatever reasons.
4. All loan / working capital / trade products which had outstanding during the moratorium period shall be considered.
5. Account eligible for refund only if compound interest/interest on interest/penal interest has been applied during the moratorium.
6. Refund to be provided irrespective of whether the moratorium was availed or not.

Ineligible Accounts:

1. NPA Accounts as on 29.02.2020 (presumption being no interest, or no compound interest is charged in case of NPA accounts)
2. Accounts with aggregate outstanding of less than Rs.2 Crs from all lenders where refund has already been afforded under the Exgratia scheme.
3. A/cs with simple interest as per contract where compounding has not happened.
4. Non-funded facilities not eligible for refund.
5. Accounts where compounding interest/interest on interest/ penal interest for non-payment/ delayed payment has not been applied during the moratorium will not be eligible for refund of interest. However, in case of accounts with simple interest, "if simple interest was capitalized on monthly or quarterly basis during the moratorium period, the resultant interest on interest during the moratorium period shall be refunded"

Note:

The computation methodology for the eligible customers will be approved by the respective unit heads.

Appendix 2 Refund / adjustment for CBG customers

ELIGIBLE ACCOUNTS:

1. All accounts not an NPA as on 29 Feb 2020 are considered .
2. Unsecured Loan and Mortgage Loan (Home Loan and Loan Against Property) of all schemes, irrespective of the value of the outstanding loan value are considered
3. For Unsecured Loan and Mortgage Loan, the interest on interest would be applied only if the customer had availed moratorium.

However, any penal interest could have been applied during the period for instalments of March 2020 to August 2020 if the customer delayed EMI payments. This would be refunded or adjusted in the loan accounts .

INELIGIBLE ACCOUNTS:

1. Accounts where there is no interest on interest charged.
2. Accounts where the refund is already paid as ex-gratia in November 2020.
3. Accounts where there is no penal interest charged for the instalments of March 2020 to August 2020.

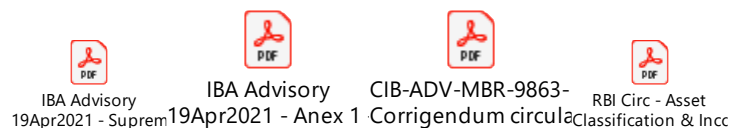
**Refund / adjustment as per RBI and IBA guidelines will also be applied on eligible eLVB portfolio and following products categories are broadly covered under this process:

Agri Loan, Jewel Deposit Loans, Loan Against Shares, Mortgage Loans, Overdraft, Term Loans, Unsecured Loans, Vehicle Loans, Working Capital, etc.

eLVB portfolio exclusions are Agri Jewel Deposit Loans, Staff Loans, Loans against Deposit and other non-eligible product program as per guidelines.

Appendix 3 Related Regulations & Policies

- 1) RBI Notification Ref: no RBI/2019-20/ 186 DOR.No.BP.BC.47/21.04.048/2019-20 "COVID-19 – Regulatory Package" dated March 27, 2020
- 2) Circular DOR.No.BP.BC.63/21.04.048/2019-20 dated April 17, 2020
- 3) Circular DOR.No.BP.BC.71/ 21.04.048/2019-20 dated May 23, 2020.
- 4) RBI vide notification no. RBI/2021-22/17 DOR.STR.REC.4/21.04.048/2021-22 dated 7 April, 2021 and
- 5) Policy for granting relief to customers impacted by COVID-19 outbreak dated 10 June 2020
- 6) IBA Methodology



Appendix 4 Deviations

Not Applicable

Appendix 5 Version History

Version	Date of Issue	Summary of Key Changes
1.0	July 2021	Policy Issued