



INDIAN OVERSEAS BANK
COLOMBO

Penal Interest Charged by Licensed Banks on Overdue Credit Facilities

❖ **PENAL INTEREST RATE**

A **penal interest rate of 2% per annum** will be charged on **arrears related to loans**. Interest is calculated on a **daily basis** depending on the number of overdue days. Delays in payment will result in additional charges.

❖ **TYPE OF LOANS**

- Term Loan
- Rupee Term Loan and Term Loan in Foreign Currency
- Cash Credit against deposits/ stocks/ receivables/ postdated cheques / property
- Purchase/ Negotiation of Bills
- Trust Receipt (In Local currency and in Foreign Currency)
- Cheque Purchase
- Clean cash credit / Temporary Overdraft
- MSME Loans
- Money Market Facilities
- Trade Loans
- MSME Loans
- Loan Syndications
- Securitized Notes/ A loan that is backed by receivables other than mortgage loans

A penal interest rate of 2% per annum will be charged on arrears related to loans.

❖ **How is interest calculated?**

Formula (Applicable to all above) : **Interest = Amount x (No. of Days /365) x Interest Rate**

Example of the calculation:

Arrears days	2	A
Penalty interest rate	2%	B
Arrears install amount (Capital + Interest)	100,000.00	C
Penalty interest amount	10.96	D

Penalty Interest Calculation:

$$= C*(A/365) *(B)$$

$$\text{Calculation: } 100,000 \times (2 \div 365) \times 2\% = \text{LKR } 10.96$$

For further information or clarification, please contact us via telephone 0115324421/27 or visit is at No. 139, Main Street, Colombo-11.