# COMMERCIAL CREDIT & FINANCE PLC

## Default Interest Charges

## Introduction

As required by the Finance Business Act (Financial Customer Protection Framework) Direction No. 01 of 2018 and the Finance Consumer Protection Regulations No. 01 of 2023, CCFP shall ensure compliance with the applicable requirements relating to the disclosure of its Default Interest Rates.

CCFP may determine the applicable Default Interest Rates in accordance with the internal Recovery Policy and Procedures, taking into consideration the prevailing market conditions. In doing so, CCFP shall ensure that such Default Interest Rates do not impose an undue or excessive debt burden on its customers.

## Default Interest Charges

Default interest is charged to customers who failed to pay their contractual dues and other applicable charges in accordance with the terms and conditions of the agreement. It is calculated on the outstanding overdue amount from the due date until the date of actual payment.

**<u>Default Interest Calculation Formula</u>**:

$$\boldsymbol{Default\ Interest = Rental\ Arrears \times \frac{Default\ interest\ rate}{30} \times No.\ of\ Days\ in\ arrears}$$

The borrower who failed to pay contractual dues Installment, interest, or other due amount on the agreed date and it will be calculated on the outstanding overdue amount from the due date till the date of actual payment and based on the number of rental in arrears.

## Approval for the Default Interest Charges

The Management of the CCFP shall have the discretion to determine the applicable Default Interest Rate, taking into consideration the prevailing regulatory guidelines, market conditions, and the default interest rates charged by comparable institutions.

Any proposed Default Interest Rate shall be subject to the approval of the Credit Committee and shall be reviewed periodically by the Assets and Liabilities Management Committee (ALCO) to ensure its continued appropriateness and compliance with regulatory and business requirements.

At the time of executing the agreement, customers shall be informed of the applicable Default Interest Rate and the method of its calculation. Any subsequent changes to the Default Interest Rate or the related terms and conditions shall be communicated to customers promptly through appropriate communication channels, in accordance with the applicable regulatory requirements and the provisions of the agreement.

**End of the document.**

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