IN THE HIGH COURT OF JUDICATURE AT BOMBAY
ORDINARY ORIGINAL CIVIL JURISDICTION

WRIT PETITION NO. 2497 OF 2023

Kudos Finance and Investment Pvt. Ltd. ...Petitioner

Vs.

Reserve Bank of India ....Respondent

Mr Swaroop Anand, Mr Prateek Pai, Mr Kushal Gawda a/w Mr Akhil Rao i/b Karan Singh Shekhawat and R J Ghag, for the Petitioner.
Mr Venkatesh Dhond, Senior Advocate a/w Mr Parag Sharma, Mr Prasad Shenoy, Ms Aditi Phatak, Ms Parichehr Zaiwalla and Ms Twinkle Kalla i/b BLAC Co., for the Respondent.

CORAM: BHARATI DANGRE &

MANJUSHA DESHPANDE, JJ.

DATED : 5 MAY, 2026

<u>JUDGMENT</u> (Per Bharati Dangre, J.) :-

1. Rule. Rule is made returnable forthwith. Heard finally by consent.

The writ petition is filed by the petitioner, being aggrieved by the impugned order dated 23 November 2022 passed by the Reserve Bank of India (RBI), in exercise of the powers conferred under Section 45-IA(6)(iv) of the Reserve Bank of India Act, 1934. As a consequence thereof, the Certificate of Registration (CoR) of the petitioner for operating as a Non-

Banking Financial Company (NBFC) stands cancelled.

2. The petition is filed by raising a ground that the impugned order is passed without any reason / factual basis and the same is passed in violation of the principles of natural justice and the impugned order violate the fundamental rights of the petitioner.

On hearing the learned Counsel for the petitioner, when we have perused the impugned order passed by the RBI in exercise of the powers conferred, we find that the said order is preceded by issuance of show cause notice to the petitioner, categorically asking him to show cause, as to why the action shall not be initiated against him for the lapses which are clearly pointed out. The petitioner submitted a detailed response to the show cause notice and even was offered a personal hearing. At the end of the entire process carried out, the RBI expressed its opinion in the impugned order. As the violations observed by the Bank and indicated in the show cause notice, which is issued to the Company and by taking into consideration the reply of the Company as regards the alleged violations, and on consideration of the reply, and oral submissions offered during personal hearing, it inferred that the petitioner had indulged into violations of various norms / guidelines, from the Master directions issued by the RBI, by invoking Sub-Section 6(iv)(A) of 45(I), of the RBI Act, which authorised the Bank to cancel the

Certificate of Registration (CoR) and one of the stipulation clearly contemplating, that the Company has failed to comply with the directions issued by the Reserve Bank under the provisions of Chapter III-B of the RBI Act, the order expressed the satisfaction that the Company is not eligible to continue to carry on its business as NBFC and no public interest would be served in allowing the Company to continue its business, the CoR order is cancelled.

3. In the course of hearing, the learned Senior Counsel Mr Dhond, has invited our attention to the specific provision in the form of an appeal, to the Central Government which has been assigned finality, we confronted the learned Counsel with the aforesaid objections.

He would submit that the appeal would not be an efficacious remedy though it is an alternate remedy as according to him, the impugned order is passed in violation of principles of natural justice.

We disagree with the said contention.

The perusal of this impugned order as well as the proceedings placed before us through the writ petition along with various annexures would clearly reveal that the show cause notice was issued to the petitioner, on 22 March 2022, on receipt of various complaints from the customers of the Company on its 'Sachet Platform' and from Customer Education and Protection

Cell ('CEPC'), where serious allegations of harassment by the Company through illegal recovery practices were pointed out.

Thereafter, the Bank conducted a scrutiny of the operations of the Company to examine Company's lending activities undertaken through various service providers (SPs) i.e. Digital Lending Apps / Fintech partners, sources of funds, fund flow, control over business, customer due diligence, underwriting, adherence to the Bank's FPC and outsourcing guidelines.

4. On such exercise being carried out, the Reserve Bank noted several deficiencies and expressed a view that the Company was carrying out its business in contravention to the licensing terms and extant RBI guidelines, which were specifically set out in the show cause notice.

The show cause notice placed on record at Exh.I, referred to each and every accusation levelled against the Company with reference to the directives issued by the Reserve Bank and the notice called the petitioner Company to show cause as to why Certificate of Registration dated 12 October 2017, shall not be cancelled in exercise of the powers conferred upon the Bank.

5. The show cause notice afforded an opportunity to file a reply responding to the show cause within a stipulated timeline and it also indicated that the noticee shall be afforded an

opportunity of personal hearing to explain the stand in the matter.

Admittedly, the petitioner responded to the show cause notice and was also given an opportunity of hearing and therefore, the contention of the petitioner that the remedy in the form of an appeal under Sub-Section 7 of Section 45-IA of the RBI Act, 1934 is not an efficacious remedy, do failed to appeal to us.

6. In the wake of aforesaid, since we are not inclined to exercise our writ jurisdiction, in the wake of an alternative and efficacious remedy in the form of an appeal to the Central Government, we deem it appropriate to relegate the petitioner to avail the said remedy.

We have noted that the appeal as contemplated under Sub-Section 7 is to be filed within a period of 30 days from the date on which the cancellation of the registration is communicated. However, since the petitioner approached this Court by filing the present writ petition and the petition was pending for considerable length of time, it is open for the Central Government to consider the delay that has been caused in the remedy of appeal being invoked.

In any case, we leave it to the Central Government as we are of the view that the petitioner has approached this Court and on noting that the effective remedy lies for him in the form of an appeal, we are relegating him to avail the said remedy.

If such an appeal is filed within a period of four weeks from today, the Central Government shall take into consideration the appeal and is at liberty to consider and condone the period which is consumed by the petitioner in approaching this Court through a writ petition.

Needless to state that the Central Government shall pass an appropriate speaking order and if the petitioner's grievance is not redressed, the petitioner is at liberty to adopt such course of action which is available in law.

We must clarify that we have not expressed any opinion about the merits of the matter.

Writ petition is disposed of.

(MANJUSHA DESHPANDE, J.) **(BHARATI DANGRE, J.)**