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* **IN THE HIGH COURT OF DELHI AT NEW DELHI**

% *Date of Decision: 07.09.2026*

\# **CNR No. DLHC010411702026**

\+ **LPA 680/2026, CM APPLs. 59050/2026 & 59051/2026**

RESERVE BANK OF INDIA .....Appellant

Through: Mr. Rajeeve Mehra, Senior Advocate, Mr. Ramesh Babu M.R., Senior Advocate with Ms. Nisha Sharma and Ms. Shreya V. Mehra, Advocates.

versus

RELIANT CREDITS INDIA LTD & ANR. .....Respondents

Through: Mr. Sandeep Sethi, Senior Advocate, Ms. Malvika Trivedi, Senior Advocate, Mr. Digish Shah, Ms. Anushree Kapadia, Mr. Krisna Gambhir, Ms. Shreya Sethi, Mr. Pranay Bhardwaj, Ms. Pragya Jaishwal and Mr. Shailendra, Advocates for R-1.

CORAM:
HON'BLE THE CHIEF JUSTICE
HON'BLE MR. JUSTICE TEJAS KARIA

TEJAS KARIA, J. (***Oral***)

CM APPL. 59052/2026 (*Exemption*)

1. Exemption is allowed, subject to all just exceptions.

2. The Application stands disposed of.

LPA 680/2026

3. The present *intra court* Appeal assails the order dated 30.07.2026 ("**Impugned Order**") passed in W.P.(C) 8243/2026 ("**Writ Petition**") titled '*Reliant Credits (India) Ltd v. Union of India & Ors.*'.

4. The brief factual matrix relevant to the present Appeal is as under:

4.1. Respondent No. 1 is a non-deposit-taking Non-Banking Financial Company ("**NBFC**") registered in Kerala. In 2001, the Reserve Bank of India ("**RBI**") granted it a Certificate of Registration ("**CoR**") to carry on NBFC business, which was thereafter renewed and reclassified from time to time.

4.2. Under Section 45-N of the Reserve Bank of India Act, 1934 ("**RBI Act**"), RBI inspected Respondent No. 1 from 22.11.2023 to 02.12.2023 with reference to its financial position as at 31.03.2023 and allegedly found material statutory and regulatory violations.

4.3. RBI thereafter prepared a Preliminary Inspection and Risk Assessment Report ("**Report**"), furnished it to Respondent No. 1 *vide* letter dated 29.01.2024, and scheduled a video conference with its management on 30.01.2024.

4.4. *Vide* letter dated 30.01.2024, RBI communicated its supervisory concerns for consideration by Respondent No. 1's Board and Senior Management and sought monthly compliance reports.

4.5. On 15.03.2024, Respondent No. 1 submitted a compliance report acknowledging several violations and deficiencies identified by RBI. In view of the alleged continued non-compliance, RBI issued a Show Cause Notice dated 26.07.2024 ("**SCN**") proposing cancellation of the CoR under Section 45-IA(6) of the RBI Act.

4.6. In its reply to the SCN, Respondent No. 1 further admitted several regulatory violations and irregularities. On 07.10.2024, Respondent No. 1 was granted a personal hearing ("**Personal Hearing**") before a committee of senior RBI officers chaired by the General Manager, Department of Supervision, RBI, Thiruvananthapuram ("**General Manager**").

4.7. Thereafter, the SCN, Reply to SCN, Personal Hearing minutes, and RBI's record were placed before the Executive Director, Department of Regulation, RBI, Mumbai ("**Executive Director**").

4.8. Meanwhile, on 10.07.2025, a statutory auditor submitted an exceptions report for Financial Year 2024–25 ("**Exception Report**"), recording non-compliance with the RBI's Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 ("**Master Directions**"), and other audit observations.

4.9. By order dated 11.09.2025 ("**Cancellation Order**"), the Executive Director cancelled Respondent No. 1's CoR under Section 45-IA(6) of the RBI Act for regulatory violations and non-compliance.

4.10. On 30.09.2025, Respondent No. 1 challenged the Cancellation Order under Section 45-IA(7) of the RBI Act before Respondent No. 2, the Appellate Authority ("**Appellate Authority**"), by filing a statutory appeal ("**Statutory Appeal**").

4.11. While the Statutory Appeal was pending, Respondent No. 1 challenged the Cancellation Order in W.P. No. 36676/2025 before the High Court of Kerala. *Vide* order dated 09.03.2026, the said petition was disposed of by High Court of Kerala while extending the stay of the Cancellation Order until disposal of the Statutory Appeal.

4.12. The Appellate Authority dismissed the Statutory Appeal *vide* order dated 08.06.2026 ("**Appellate Order**"), whereupon Respondent No. 1 filed the Writ Petition challenging the Cancellation Order and the Appellate Order.

4.13. *Vide* order dated 17.06.2026, the Vacation Bench declined Respondent No. 1's prayer for *ad interim* relief against the Cancellation Order and the Appellate Order.

4.14. Respondent No. 1 challenged the order dated 17.06.2026 in LPA No. 465/2026. *Vide* order dated 06.07.2026, this Court declined to interfere with the order dated 17.06.2026 considering that the Interim Relief Application was still pending. Accordingly, the learned Single Judge was requested to decide the Interim Relief Application expeditiously while keeping all issues including objection relating to the territorial jurisdiction open.

4.15. *Vide* the Impugned Order, the learned Single Judge issued notice in the Interim Relief Application and, until the next hearing, stayed the Cancellation Order and the Appellate Order insofar as they restrained Respondent No. 1 from carrying on Non-Banking Financial Institution ("**NBFI**") business.

4.16. Aggrieved by the Impugned Order, RBI has preferred the present Appeal against the Impugned Order.

4.17. During the hearing, Respondent No. 1 obtained instructions on RBI's proposal to not to disburse any fresh loan until the Interim

Relief Application is finally decided by the learned Single Judge. However, the Board of Directors of Respondent No. 1 vide resolution dated 05.09.2026 decided that any such undertaking could prejudice the rights, contractual obligations, and expose Respondent No. 1 to multiple claims and, accordingly, declined to tender any such undertaking at this stage.

5. Learned Senior Counsel for RBI made the following submissions:

5.1. RBI had cancelled Respondent No. 1's CoR, and the Appellate Authority had affirmed that decision. By permitting Respondent No. 1 to continue NBFI business, the Impugned Order effectively restored the CoR rather than preserving the *status quo*. Given the regulatory and public-interest implications, the learned Single Judge was required to assess the *prima facie* case, balance of convenience, irreparable prejudice, and consequences of permitting continued operations despite cancellation.

5.2. The Cancellation Order followed a comprehensive regulatory process comprising statutory inspection, risk assessment, repeated opportunities for compliance, compliance reports, admissions, the SCN, and the Personal Hearing. Its legality must be assessed on the material before RBI when the decision was taken; subsequent compliance cannot retrospectively invalidate an otherwise lawful order.

5.3. Respondent No. 1's claim of subsequent compliance is disputed and requires examination on cogent material. Similar claims of rectification were made before RBI, yet the subsequent Exception

Report recorded, *inter alia*, continued non-compliance with RBI directions and guidelines.

5.4. In the absence of a finding of illegality, irrationality, perversity, or procedural impropriety, the learned Single Judge ought not to have substituted the Court's assessment of regulatory compliance for that of RBI.

5.5. The Impugned Order is inconsistent with the order dated 17.06.2026 passed by the Vacation Bench refusing to grant the stay and, in effect, grants the substantive relief sought in the Writ Petition at an interlocutory stage.

5.6. Permitting Respondent No. 1 to operate despite the Cancellation Order and the Appellate Order would undermine the RBI Act's regulatory framework and expose customers and the financial system to risk. The balance of convenience, therefore, favours RBI.

5.7. The Impugned Order is also liable to be set aside for want of territorial jurisdiction, as no material, essential, or integral part of the cause of action arose in Delhi; the situs of the Appellate Authority alone does not make this Court the *forum conveniens*. Reliance on ***Baksish Ahmed v. Union of India***, 2026 SCC OnLine SC 1098, is misplaced as the distinct statutory framework governing the Border Security Force was involved, where the controlling authority was situated in New Delhi and consequential obligations fell upon the Union Government.

5.8. Hence, the present Appeal deserves to be allowed and the Impugned Order be set aside.

6. Learned Senior Counsel for Respondent No. 1 made the following submissions:

6.1. The present Appeal is not maintainable, as the Impugned Order is purely *ad interim* in nature, having been passed before RBI filed its counter affidavit and reply to the Interim Relief Application. The Impugned Order does not finally adjudicate the rights and contentions of the parties or decide any issue conclusively; hence it does not possess the attributes of a "*judgment*" within the meaning of Clause 10 of the Letters Patent. Accordingly, the present Appeal is not maintainable. In support of this submission, reliance was placed on the decision of this Court in ***Municipal Corporation of Delhi vs Krishan Kumar and Ors.***, Neutral Citation: 2025:DHC:321-DB.

6.2. Without prejudice to the objection as to maintainability, the jurisdiction of an appellate court to interfere with an interlocutory exercise of discretion is extremely limited. Such interference is warranted only where the discretion has been exercised arbitrarily, capriciously, perversely, or in disregard of settled legal principles. As there is no such infirmity in the Impugned Order, no interference is warranted in the present Appeal.

6.3. Cancellation of the CoR is disproportionate, particularly as Section 45-IA(6) of the RBI Act affords an opportunity to rectify defects before cancellation. The alleged infractions attract separate statutory penalties and do not warrant cancellation of the CoR.

6.4. If the Cancellation Order is not stayed it would effectively terminate Respondent No. 1's NBFI business and impact hundreds of employees of Respondent No. 1. Hence, denial of interim protection pending the Writ Petition would render final relief in the Writ Petition illusory.

6.5. The Personal Hearing was conducted by a committee of senior RBI officers, whereas the Cancellation Order was passed by the Executive Director, who had not heard Respondent No. 1. The procedure adopted therefore violated the principles of natural justice.

6.6. The learned Single Judge's *prima facie* findings that the alleged defaults were rectified and that the Appellate Authority had not considered such rectification, and that cancellation was disproportionate did not amount to substituting the Court's view for that of RBI.

6.7. The Impugned Order records that Respondent No. 1 is solvent, employs over 600 persons, operates 122 branches, and had *prima facie* rectified the defaults. It further records that denial of interim protection would cause grave prejudice and that the balance of convenience favoured Respondent No. 1. All contentions, including territorial jurisdiction, were left open, and no final relief was granted.

6.8. Enforcement of the Cancellation Order would halt Respondent No. 1's NBFI business and adversely affect its employees and borrowers.

6.9. Respondent No. 1 has operated under judicial protection since the Kerala High Court's order dated 07.10.2025, without prejudice to RBI, its investors, or the public interest. Vacating that protection before adjudication of the Writ Petition would effectively close a solvent company and irreversibly prejudice its employees, borrowers, investors, and goodwill.

7. We have heard learned Senior Counsel for the Parties and perused the material placed on record.

8. It is well settled that the grant of interim relief is an equitable and discretionary exercise, intended to preserve the subject matter of the proceedings and protect the parties against prejudice pending final adjudication. The Court must be satisfied that the applicant has established a strong *prima facie* case, and that the balance of convenience lies in favour of granting protection. It must also be considered that any refusal of such relief would occasion irreparable injury incapable of adequate redress at a later stage.

9. Accordingly, the Court is required to consider not only the apparent strength of the applicant's case, but also the nature and weight of the defence advanced, the competing rights and interests of the parties, and the wider consequences likely to arise from the grant or refusal of relief. The Court must, therefore, balance the risk that denial of interim protection may render the petition or the ultimate relief therein infructuous against the loss,

hardship, or prejudice that such protection may cause to the opposing party or other affected persons. These considerations are interrelated and must be evaluated cumulatively in the facts and circumstances of each case.

10. In the facts of the present case, RBI has contended that Respondent No. 1's assertion that the alleged defaults had been rectified involved disputed question of facts requiring determination on cogent material once the Counter Affidavit is filed by the RBI. It is further the case of RBI that the Impugned Order, without duly considering the concurrent findings recorded in the Cancellation Order and the Appellate Order, stayed their operation and permitted Respondent No. 1 to continue carrying on its NBFI business until the next date of hearing. It is also contended by RBI that the Impugned Order has undermined the RBI Act's regulatory framework and exposed the customers and the financial system to risk.

11. *Per contra*, Respondent No. 1 contended that the alleged defaults had been rectified and that the Appellate Authority failed to consider such rectification. It is further submitted by Respondent No. 1 that permitting the Cancellation Order to operate would bring its NBFI business to a standstill and adversely affect its employees and borrowers. Respondent No. 1 also submitted that continuation of the interim protection granted by the Impugned Order until the next date of hearing in the Writ Petition would cause no prejudice to RBI.

12. The Impugned Order has stayed the operation and effect of the Cancellation Order and the Appellate Order insofar as they restrain Respondent No. 1 from carrying on NBFI business, until the next date of hearing in the Writ Petition while observing that Respondent No. 1 had

rectified the defaults and that, if upon filing of RBI's counter affidavit the Court were to find its case devoid of merit, the CoR could be cancelled and the Cancellation Order permitted to operate.

13. Although the Impugned Order records the rival submissions concerning the alleged rectification of defaults by Respondent No. 1, it observes that those issues would be considered after RBI files its counter affidavit and the matter was adjudicated on merits. While granting *ad interim* relief of the stay of the Cancellation Order and the Appellate Order, the Impugned Order does not disclose any *prima facie* consideration of RBI's submissions or of the findings recorded in the Cancellation Order and the Appellate Order for permitting Respondent No. 1 to carry on NBFI business.

14. The Cancellation Order, which prohibited Respondent No. 1 from carrying on NBFI business, and the Appellate Order affirming the same, *inter alia*, recorded finding that the general character of the management of Respondent No. 1 was prejudicial to public interest and that no public interest would be served by permitting it to continue such business. Accordingly, the balance of convenience was in favour of protecting the larger public interest as against the prejudice likely to be suffered by Respondent No. 1 if *ad interim* relief were declined. Therefore, permitting Respondent No. 1 to resume NBFI business notwithstanding the Cancellation Order and Appellate Order required a higher threshold of balance of convenience to be satisfied.

15. Further, the only *prima facie* case recorded by the learned Single Judge is with regard to rectification of the default, which involves

determination of disputed questions of fact and cannot be determined prior to filing of the counter affidavit by RBI. Further, no irreparable loss can be suffered by Respondent No. 1 has been permitted to undertake day-to-day banking transactions and recover existing loans but was restrained from carrying out NBFI business. Hence, the submission of Respondent No. 1 that its operations would come to standstill is without any basis.

16. During the hearing of the present Appeal, Respondent No. 1 was afforded an opportunity to obtain instructions regarding an undertaking that the Respondent No. 1 will not carry out any fresh loan transactions and Interim Relief Application can be decided by the learned Single Judge in timebound manner, however, vide resolution dated 05.09.2026 passed by the Board of Directors of Respondent No. 1, which was placed on record, it was resolved that furnishing any such undertaking may materially affect the rights and protections available to Respondent No. 1 under the Impugned Order, prejudice its existing contractual obligations, and expose it to a multiplicity of proceedings and claims. Accordingly, Respondent No. 1 expressed inability to tender the undertaking at that stage.

17. For the foregoing reasons, we are of the considered view that the *ad-interim* protection granted by the Impugned Order does not comply with the settled principles governing the grant of interim relief, namely, the existence of a strong *prima facie* case, the balance of convenience, and the likelihood of irreparable injury. By asserting that the defaults had been rectified, Respondent No. 1 has acknowledged the existence of such defaults. RBI, as the sectoral regulator, passed the Cancellation Order upon consideration of the relevant material, and the same was affirmed by the Appellate Order,

which specifically recorded that the general character of the management of Respondent No. 1 was prejudicial to public interest and that no public interest would be served by permitting it to continue such business. The Impugned Order has not examined this aspect of public interest while grating ad-interim stay and only considered the hardship alleged by Respondent No. 1. The Impugned Order lacks cogent reasons for brushing aside the larger public interest for protecting the individual interest of Respondent No. 1.

18. Generally, the Courts must accord due deference to the determinations of sectoral regulators such as RBI, which possess specialised expertise, discharge statutory mandates, and remain continuously engaged with the complexities of the sectors under their supervision. As India's central bank, RBI is entrusted with maintaining monetary stability, supervising financial institutions and safeguarding systemic resilience. Its decisions are informed by technical expertise, economic data, and policy considerations that ordinarily fall outside the conventional judicial domain.

19. While judicial review is essential to safeguard constitutional rights and prevent arbitrariness, its exercise must be calibrated so as not to encroach upon regulatory autonomy. Interference in the absence of cogent reasons risks substituting judicial discretion for specialised regulatory judgment, with potential consequences for financial stability and investor confidence. The Supreme Court has consistently recognised regulators such as RBI as expert bodies whose determinations merit due deference unless shown to be manifestly arbitrary or ultra vires.

20. In the present case, no perversity, violation of the principles of natural justice, or procedural irregularity in the Cancellation Order or the Appellate Order has been demonstrated. The merits of the rival contentions can, therefore, be considered only after RBI has been afforded an opportunity to file its counter affidavit. The observation in the Impugned Order that the CoR could subsequently be cancelled and the Cancellation Order permitted to operate if Respondent No. 1's case was found to lack merit cannot, by itself, justify the grant of interim relief. Before granting such relief, the Court must be satisfied as to the existence of a strong *prima facie* case, the balance of convenience, and the likelihood of irreparable injury.

21. Having regard to the larger public interest involved, the balance of convenience lies in favour of RBI. Respondent No. 1 would not suffer irreparable prejudice, as it is permitted to undertake day-to-day banking transactions and recover existing loans. The restraint is confined only to carrying on NBFI business i.e., disbursing fresh loans to new customers. In view of the express public-interest findings recorded in the Cancellation Order and the Appellate Order, Respondent No. 1 ought not to be permitted to resume such business at the *ad-interim* stage, particularly before RBI has had an opportunity to file its counter affidavit on merits.

22. As regards Respondent No. 1's preliminary objection that the present Appeal is not maintainable because the Impugned Order is purely *ad interim*, does not finally adjudicate the rights and contentions of the parties or conclusively determine any issue and, therefore, does not constitute a "*judgment*" within the meaning of Clause 10 of the Letters Patent, we are of the considered view that the said objection cannot be sustained. In ***Union of***

India and Another v. Delhi Race Club (1940) Ltd. and Others, 2026 SCC OnLine Del 4127, this Court held that an interim order possessing the trappings of finality is amenable to challenge by way of a Letters Patent Appeal. It was further held that the expression "*judgment*" in the Letters Patent must receive a wider construction and cannot be confined to its meaning under the Code of Civil Procedure, 1908.

23. In the present case, the Impugned Order grants *ad-interim* relief of stay of the Cancellation Order and Appellate Order, which is in nature of the final relief sought in the Writ Petition and, therefore, bears the trappings of finality. By permitting Respondent No. 1 to resume its NBFI business notwithstanding RBI's substantial objections founded upon the larger public interest, the Impugned Order effectively grants the final relief sought in the Writ Petition at an interlocutory stage. Having regard to the peculiar facts and circumstances of the case, we accordingly hold that the present Appeal is maintainable.

24. Accordingly, the Impugned Order is set aside insofar as it stays the operation and effect of the Cancellation Order and the Appellate Order restraining Respondent No. 1 from carrying on NBFI business.

25. It is clarified that we have expressed no opinion on the merits of the Writ Petition, including the issues concerning rectification of the alleged defaults by Respondent No. 1, the proportionality of the Cancellation Order, the alleged violation of the principles of natural justice, or the territorial jurisdiction of this Court to entertain the Writ Petition. All rights and contentions of the Parties are expressly left open for adjudication by the learned Single Judge. We further request the learned Single Judge to

consider and finally decide the Interim Relief Application, in accordance with law, at the earliest.

26. The Appeal is accordingly allowed in the aforesaid terms. All pending Applications, if any, stand disposed of.

TEJAS KARIA, J

DEVENDRA KUMAR UPADHYAYA, CJ

SEPTEMBER 07, 2026/*HK*