

**भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA**वेबसाइट : www.rbi.org.in/hindiWebsite : www.rbi.org.inई-मेल/email : helpdoc@rbi.org.in

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October 17, 2023

RBI imposes monetary penalty on Kotak Mahindra Bank Limited

The Reserve Bank of India (RBI) has, by an order dated October 17, 2023, imposed a monetary penalty of ₹3.95 crore (Rupees Three crore Ninety Five lakhs only) on Kotak Mahindra Bank Limited (the bank) for non-compliance with RBI Directions on “Managing Risks and Code of Conduct in Outsourcing of Financial Services by banks”, “Recovery Agents engaged by Banks”, “Customer Service in Banks”, and “Loans and Advances - Statutory and Other Restrictions”. This penalty has been imposed in exercise of powers vested in RBI conferred under the provisions of Section 47A(1)(c) read with Sections 46 (4)(i) of the Banking Regulation Act, 1949.

This action is based on the deficiencies in regulatory compliance and is not intended to pronounce upon the validity of any transaction or agreement entered into by the bank with its customers.

Background

The Statutory Inspection for Supervisory Evaluation (ISE 2022) of the bank was conducted by RBI with reference to its financial position as on March 31, 2022. The examination of certain observations of the Risk Assessment Report/Inspection Report pertaining to ISE 2022, and all related correspondence in that regard revealed, *inter alia*, non-compliance with the aforesaid directions by the bank to the extent it (i) failed to carry out annual review / due diligence of the service provider, (ii) failed to ensure that customers are not contacted after 7 pm and before 7 am, (iii) levied interest from disbursement due date instead of the actual date of disbursement, contrary to the terms & conditions of sanction, and (iv) levied foreclosure charges despite there being no clause in the loan agreement for levy of prepayment penalty on loans recalled/foreclosure initiated by the bank. Consequently, a notice was issued to the bank advising it to show cause as to why penalty should not be imposed on it for failure to comply with the said direction, as stated therein.

After considering the bank’s reply to the notice, additional information provided by the bank, and the oral submissions made during the personal hearing, RBI came to the conclusion that the charge of non-compliance with the aforesaid RBI directions was substantiated and warranted imposition of monetary penalty on the bank.