

**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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April 06, 2023

RBI imposes monetary penalty on Mahindra & Mahindra Financial Services Limited, Mumbai

The Reserve Bank of India (RBI) has, by an order dated April 5, 2023 imposed a monetary penalty of ₹6.77 crore (Rupees Six crore seventy seven lakh only) on Mahindra & Mahindra Financial Services Limited, Mumbai (the company) for non-compliance with the "[Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company \(Reserve Bank\) Directions, 2016](#)" issued by RBI. This penalty has been imposed in exercise of powers vested in RBI under the provisions of clause (b) of sub-section (1) of section 58 G read with clause (aa) of sub-section (5) of section 58 B of the Reserve Bank of India Act, 1934.

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 company with its customers.

Background

The statutory inspection of the company was conducted by RBI with reference to its financial position as on March 31, 2019 and March 31, 2020. An examination of the Risk Assessment Report, Inspection Reports and all related correspondence pertaining to the same revealed, *inter alia*, non-compliance by the company with the RBI directions on fair practices relating to disclosure of annualised rate of interest charged on loans to the borrowers at the time of sanction and failure to give notice of change in terms and conditions of loan to its borrowers, when it charged higher rate of interest than what was communicated at the time of sanction, during financial years 2018-19, 2019-20 and 2020-21. In furtherance to the same, a notice was issued to the company advising it to show cause as to why penalty should not be imposed on it for failure to comply with the RBI directions, as stated therein.

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