



भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA

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March 04, 2024

**Action against IIFL Finance Limited under Section 45L(1)(b) of the Reserve Bank of India Act, 1934**

The Reserve Bank of India has today, in exercise of its powers under Section 45L(1)(b) of the Reserve Bank of India Act, 1934, directed IIFL Finance Ltd. ("the company") to cease and desist, with immediate effect, from sanctioning or disbursing gold loans or assigning/ securitising/ selling any of its gold loans. The company can, however, continue to service its existing gold loan portfolio through usual collection and recovery processes.

An inspection of the company was carried out by the Reserve Bank with reference to its financial position as on March 31, 2023. Certain material supervisory concerns were observed in the gold loan portfolio of the company, including serious deviations in assaying and certifying purity and net weight of the gold at the time of sanction of loans and at the time of auction upon default; breaches in Loan-to-Value ratio; significant disbursement and collection of loan amount in cash far in excess of the statutory limit; non-adherence to the standard auction process; and lack of transparency in charges being levied to customer accounts, etc. These practices, apart from being regulatory violations, also significantly and adversely impact the interest of the customers. Over the last few months, the RBI has been engaging with the senior management and the statutory auditors of the company on these deficiencies; however, no meaningful corrective action has been evidenced so far. This has necessitated the imposition of business restrictions with immediate effect, in the overall interest of customers.

These supervisory restrictions will be reviewed upon completion of a special audit to be instituted by the RBI and after rectification by the company of the special audit findings and the findings of RBI Inspection, to the satisfaction of RBI.

This business restriction is without prejudice to any other Regulatory or Supervisory action, that may be initiated by the RBI against the company.