

PIL FILED AGAINST THE OPERATIONS OF THE PAYTM POST PAID WALLET

On 27th May, 2019, a Public Interest Litigation (“PIL”) was filed by financial economist Abhijit Mishra in the Delhi High Court challenging the operation of PayTm Payments Bank's Post-Paid Wallet facility. The petition primarily revolves around the alleged illegal operation of the Paytm Post Paid wallet which provides lending facilities in contravention of law which regulates such facility. The Division Bench headed by Chief Justice Rajendra Menon and Justice Brijesh Sethi issued a notice to the Reserve Bank of India (RBI) and PayTm Payments Banks Limited seeking their stand on the same

The Petition which has been filed through advocate Payal Bahl argued that the functioning of PayTm Payments Bank's Post-Paid Wallet is illegal and contrary to the banking laws and regulations. It has further been argued in the petition that “*the PayTm Payments Bank through their Post Paid Wallet has provided unmonitored and unauthorized access to the consumer's personal information such as AADHAR, PAN, etc. to unauthorized third parties (Clix Finance India Private Limited) which are in a clear violation of Article 21 of the Indian Constitution (which enshrines privacy as a fundamental right) and other relevant banking acts such as Payments and Settlements Act.*”

It is further submitted by the Petitioners that PayTm Payments Bank Limited was granted Payments Bank license in terms of **Section 22 of the Banking Regulation Act, 1949** by the RBI in early 2017. As per the RBI guidelines for Licensing of Payment Banks, it does not permit credit or loan disbursement activities or products as authorized activities for a payments bank. Hence, PayTm has acted in direct violation of **Section 1.6 of RBI's Operating Guidelines for Payments Bank** which puts restrictions on loans and advances. In spite of the strict compliance in place, PayTm Payments Bank Limited has been lending to the customers through its PayTm Post Paid Wallet, which is a clear contradiction of the guidelines. The Petitioner received an RTI response to its query on the same matter which highlighted that the PayTm Payments Bank Limited has not informed or notified the banking regulator (RBI) about its operations of the Post Paid Wallet. Taking into consideration the RTI response, it is evident that PayTm had failed to inform RBI about its design, function or other features of PayTm Post Paid wallet which is in violation of **Section 1.8 of the RBI's Operating Guidelines for Payments Bank**.

The Petition seeks direction to the RBI to take necessary actions against the PayTm Payments Bank Limited as well as seeks a declaration absolving all the customers who are in default of their debt of the credit payments to the PayTm Post Paid wallet. It is further requested in the Petition that all the profits which have been earned from the PayTm Post Paid Wallet operation should be transferred to the Prime Minister's Relief Fund for the welfare of the nation.

- Mr. Ravi Mediratta (Senior Counsel) And Ms. Ananya Madhusudan (Legal Consultant/ Advisor)

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