NATIONAL COMPANY LAW APPELLATE TRIBUNAL
PRINCIPAL BENCH, NEW DELHI

Comp. App. (AT) (Ins) No. 1771 of 2025 & I.A. No. 6926 of 2025
IN THE MATTER OF:

Equitas Small Finance Bank Ltd. **...Appellant(s)**

Versus

Jumbo Finvest (India) Ltd. **...Respondent(s)**
Present:

For Appellant **:** Mr. Bharat Gupta, Hemant Kothari, Adv.
For Respondents **:**

O R D E R
(Hybrid Mode)

16.12.2025: Heard Ld. Counsel for the Appellant.

2. This appeal has been filed against the order dated 22.08.2025 passed by the NCLT, Jaipur Bench by which Section 7 application filed by the Appellant against the Respondent i.e. Jumbo Finvest (India) Ltd. has been rejected.

3. The Adjudicating Authority has held that the Respondent is a Financial Service Provider within meaning of 3(17) of the Code and is not a corporate person against whom Section 7 application can be initiated. Against the order rejecting Section 7 application, this appeal has been filed.

4. Ld. Counsel for the Appellant challenging the order submits that although the Respondent was registered as financial service provider by the RBI, however, the RBI itself on 16.01.2020 issued an order by which the Respondent was directed not to increase the size of balance sheet and the company prohibited from accessing public funds in any form until further notice as well as lending.

5. It is submitted that in view of the order of the RBI actually the Respondent is not in the business of financial service provider and the protection which is envisaged in the provisions of the Code cannot be held to be applicable in the facts of present case.

6. Ld. Counsel for the Appellant has placed reliance on the judgment of Hon'ble Andhra Pradesh High Court being writ petition no. 3667 of 2025 Karvy Consultants Ltd. Vs. Asstt. Commr. Of Cus. And C. Ex. Decided on 08.08.2005 in support of his submissions.

7. We have considered the submissions of the Appellant and perused the record.

8. Before we proceed further to consider the submission of the Appellant it is relevant to notice the reasons given by the Adjudicating Authority in rejecting the application. The Adjudicating Authority apart from referring the judgment of this Tribunal in para 10 and 11 of the impugned order has framed the question in para 13. The Adjudicating Authority has noticed the definitions of Corporate Persons under Section 3(7), Financial Services under Section 3(16) and Financial Service Provider under Section 3(17). The definition of Corporate Persons is given in Section 3(7) as follows:-

> "3(7) "corporate person" means a company as defined in clause (20) of section 2 of the Companies Act, 2013 (18 of 2013), a limited liability partnership, as defined in clause (n) of sub-section (1) of section 2 of the Limited Liability Partnership Act, 2008 (6 of 2009), or any other person incorporated with limited liability under any law for the time being in force but shall not include any financial service provider;"

9. The Financial Service provider is defined in Section 3(17). Section 227 gives power of Central Government to notify financial service provider and the mechanism for initiating proceedings of insolvency and liquidation against the financial service provider. Section 227 of the Code as follows:-

> "Section 227: Power of Central Government to notify financial service providers, etc.
>
> 227. Notwithstanding anything to the contrary contained in this Code or any other law for the time being in force, the Central Government may, if it, considers necessary, in consultation with the appropriate financial sector regulators, notify financial service providers or categories of financial service providers for the purpose of their insolvency and liquidation proceedings, which may be conducted under this Code, in such manner as may be prescribed.
>
> Explanation. For the removal of doubts, it is hereby clarified that the insolvency and liquidation proceedings for financial service providers or categories of financial service providers may be conducted with such modifications and in such manner as may be prescribed."

10. In paras 16, 17 and 18 of the judgment, the Adjudicating Authority made following observations:-

> "16. Section 3(17) of the Code defines 'Financial Service Provider' as a person who is engaged in the business of providing financial services in terms of authorization granted by a financial sector regulator. Further, Section 3(16) of the Code provides a list of activities which falls within the definition of 'Financial Services'. Thus, an entity having relevant authorization from a financial sector regulator and is engaged in the business of providing the services as listed in Section 3(16) shall fall within the definition of Financial Service Provider, and consequently, will be outside the purview of Corporate Insolvency Resolution Process. At this juncture, it is pertinent to mention that according to the decision of the Hon'ble NCLAT in the case of Housing Development Finance Corporation Ltd. v/s RHC Holding Pvt. Ltd. [2019] ibclaw.in 102 NCLAT the definition of 'financial services' as

defined in Section 3(16) of I&B Code is not limited to the 9 activities as shown at Clause (a) to (i) of Section 3(16). The aforesaid Clauses (a) to (i) are inclusive which means there are other services which come within the meaning of 'financial services'.

17. Further, the Central Government, pursuant to its powers under Section 227 of IBC, had notified Insolvency and Bankruptcy (Insolvency and Liquidation Proceedings of Financial Service Providers and Application to Adjudicating Authority) Rules, 2019 ('FSP Rules'). Rule 5(a) of the FSP Rules, 2019 provides that -

> "(a) Initiation of Corporate Insolvency Resolution Process.-
>
> (i) no corporate insolvency resolution process shall be initiated against a financial service provider which has committed a default under section 4, except upon an application made by the appropriate regulator in accordance with rule 6;
>
> (ii) the application under sub-clause (i) shall be dealt with in the same manner as an application by a financial creditor under section 7, subject to clause (iii); and
>
> (iii) on the admission of the application, the Adjudicating Authority shall appoint the individual proposed by the appropriate regulator in the application filed under sub-clause (i) of clause (a) of rule 5, as the Administrator."

18. Thus, on a bare reading of the aforementioned rule, makes it conspicuous that CIRP against a financial service provider can only be initiated upon an application made by the appropriate regulator in accordance with Rule 6 of the FSP Rules".

11. The Adjudicating Authority has come to the conclusion that CIRP against the financial service provider can be initiated only by RBI as per notification issued by the Central Govt. dated 18.11.2019.

12. The submissions which has been pressed by the Ld. Counsel for the Appellant is based on the order issued by RBI on 16.1.2020. On 16.01.2020 the RBI issued following order:-

"TRANSLATED COPY OF ANNEXURE R-4, P. 38, REPLY
RESERVE BANK OF INDIA
www.rbi.org.in

Pavi (illegible) Jai. No. 464/09.10.619/2019-20

16 January 2020

Managing Director
Jumbo Finvest (1) Ltd
102 Kanchan Apartment, Opp.L.B.S. College
Jaipur 302004

Sir,

Jumbo Finvest (1) Ltd- Structured action

Your Company was inspected by the Bank under Section 45N of the Reserve Bank of India Act, 1934 on the basis of its financial position as on March 31, 2019 during the period from October 11 to October 17, 2019.

2. During inspection, your company's Net Non Performing Asset (Net NPA) was found to be 13.04%. Hence, you are directed that until the Net NPA comes down to less than 10%, your company should not give any new loan and should not make any investment other than in government securities.

3. You are also directed not to increase the size of your balance sheet and the company is prohibited from accessing public funds in any form until further notice. Present this letter to the board of the company and submit an action plan to improve liquidity within 5 working days.

Yours sincerely,
Sd/-
(Suresh Parewa)
Deputy General Manager"

13. From the facts which has been brought on record, the Appellant has sanctioned a term loan on 09.07.2018 to the Respondent and According to the case set up by the Appellant, the Respondent started committing in default in repayment since 05.01.2019. The order passed by the RBI issued on 16.01.2020 which can be read as well at best to prohibiting the Respondent to give any new loan and should not make any investment other than in Govt securities. The prohibition of new lending on the Respondent shall have no bearing on the transaction which was entered between the Appellant and the Respondent.

14. Ld. Counsel for the Appellant has also submitted that on 14.10.2025 the RBI has already issued public notice informing that registration of the Respondent has been cancelled with effect from 14.10.2025. The registration has been cancelled on 14.10.2025 clearly means that the Respondent was registered financial service provider till the date the registration is cancelled.

15. The submissions which has been raised by the Appellant is that since the RBI has prohibited the Respondent from carrying out lending and other business of financial service provider it has lost the character of financial service provider exposing it to the CIRP under Section 7.

16. The legislative scheme of the Code as noticed above clearly indicate that in definition of Corporate Persons financial service provider is not included. The legislative scheme of the Code indicate the mechanism for initiating CIRP against the financial service provider. We are not persuaded to the accept the submission that in view of the order of prohibition issued by RBI the Respondent shall loose its character and nature of the financial service

provider. Admittedly, its registration was cancelled on 14.10.2025. We are of the view the provisions of the Code shall be applicable and the mechanism provided in the Code for initiating CIRP against the financial service provider has to be in accordance with Code.

17. The judgment which has been relied upon by the Appellant of the Hon'ble High Court was a case where writ petition was filed for declaration that Section 65(90) read with 65(11) of the Finance Act, 2001 has no application to the petitioner company upto 16.08.2002 and the consequently interdict the Assistant Commissioner of Customs and Central Excise from proceeding further with the show case notice.

18. Ld. Counsel for the Appellant has placed reliance on the observations made by the High Court in para 17 and 18 of the judgment which is as follows:-

> "17. We agree with the submission of the learned Senior Counsel that the certificate of registration by itself would not bring the petitioner within the definition of a "non-banking financial company" inasmuch as Section 45-I(f)(ii) requires in addition thereto, the company to carry on, as its principal business, receipt of deposits or lending of money. While it is true that the counter-affidavit is silent as to whether or not the petitioner's principal business, during the said period 16-7-2001 to 15-8-2002, was receipt of deposits or lending of money, the impugned show cause notice dated 27-12-2004, however, states that intelligence, gathered by the Commissionerate of Customs and Central Excise, indicated that the petitioner was providing services as a Depository participant, that a scrutiny of the records and details submitted by the petitioner revealed that they had obtained a non-banking financial certificate issued by the Reserve Bank of India as deposit taking company on 14-12-1998, that the total amount collected by the petitioner as depository participant worked out to Rs. 5,74,09,882/-during the period 16-7-2001 to 15-8-2002, and

that the service tax payable thereon amounted to Rs. 28,70,494/-
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18. Though the counter-affidavit places reliance solely on the certificate of registration issued to the petitioner by the Reserve Bank of India as a "non-banking financial company", the show cause notice dated 27-12-2004 indicates that the petitioners were providing services as a depository participant. Whether or not, during the relevant. period 16-7-2001 in 15-8-2002, the petitioner, as its principal business, was receiving deposits or lending money, are matters which are required to be examined by the 2nd respondent on the basis of information gathered by it and made available to the petitioner as also the explanation and material furnished, in reply to the show cause notice, by the petitioner. Suffice to state that the petitioner cannot be held to be a "non-banking financial company" solely on the basis of the certificate of registration issued by the Reserve Bank of India. It is only if, on the basis of material on record, it is established that in addition to the Certificate of Registration, the principal business of the petitioner, during the relevant period, was receipt of deposits or lending of money, that it would come within the definition of a "non-banking financial company", rendering it liable for payment of service tax."

19. Ld. Counsel for the Appellant submits that observations have been made that certificate of registration issued to the petitioner by the RBI as non-banking financial company indicates that petitioners were providing services as depository participant. The Hon'ble High Court ultimately in the above proceedings have permitted the petitioner to file a reply to the show cause notice and the prayers made by the petitioners as noticed in para 1 were not granted. The Hon'ble High Court had no occasion to consider the scheme of IBC in so far as financial service provider with regard to initiating proceedings under Section 7, these questions were not under issue, hence, we are not persuaded to accept the submissions that the respondent cannot be treated as financial service provider in view of the fact that financial service provider

were prohibited. We have already noticed that registration of the respondent continued till 14.10.2025.

20. Thus, we do not find any error in the order of the Adjudicating Authority rejecting section 7 application. We make it clear that rejection of section 7 application shall not preclude the Appellant to take such remedy available in law with regard to its dues against the Respondent.

21. Ld. Counsel for the Appellant submits that now the registration of Respondent having been cancelled it will be open for the Appellant to file fresh application. We at this stage are not required to make any observation or finding. It shall be open for the Appellant to take such remedy as available in law.

The appeal is dismissed with the aforesaid observations.

[Justice Ashok Bhushan]
Chairperson

[Barun Mitra]
Member (Technical)

Sheetal/Manu