If a Non-Banking Financial Company repossesses a financed vehicle through coercive means, in violation of RBI recovery guidelines, such action is not merely a contractual dispute but assumes a public law character and such coercive repossession is illegal and violative of Articles 14, 19(1)(g), and 21 of the Constitution

The **Uttarakhand High Court** in the case of **Mohan Lal vs RBI [Writ Petition Misc. Single No.2032 of 2023] dated April 02, 2026**, has asserted that where a Non-Banking Financial Company (NBFC) repossesses or attempts to repossess a financed vehicle through coercive means, without adherence to due process of law and in violation of RBI recovery guidelines, the action is not merely a contractual dispute but assumes a public law character and is amenable to writ jurisdiction under Article 226. Such coercive repossession is arbitrary, illegal, and violative of Articles 14, 19(1)(g), and 21 of the Constitution, and the creditor, even if entitled to recover dues under the contract, must do so only through lawful procedures before competent forums and not by self-help methods.

The Court observed that the central issue was not merely the contractual relationship or the quantum of dues, but the legality, fairness, and procedural propriety of the manner in which the respondent financial institution proceeded to repossess or attempt to repossess the vehicles. It held that although contractual disputes ordinarily do not invite interference under Article 226, that rule is not absolute, and an exception applies where the impugned action is arbitrary, unfair, violative of statutory or regulatory norms, or infringes fundamental rights.

The Court further observed that the petitioners had made specific allegations of forcible repossession through recovery agents in violation of RBI guidelines, and that if such allegations were established, the matter could not be treated as a mere breach of contract but as arbitrary and high-handed action offending Article 14. Since the vehicles were the petitioners' primary means of livelihood, the Court held that the action also directly affected their rights under Article 21 and Article 19(1)(g).

Reference was made to ICICI Bank Ltd. v. Prakash Kaur [(2007) 2 SCC 711] and Citicorp Maruti Finance Ltd. v. S. Vijayalaxmi [(2012) 1 SCC 1], to reiterate that employing recovery agents or musclemen for forcible repossession is wholly impermissible, and that even in cases of admitted default, repossession must be carried out strictly in accordance with law through legally sanctioned procedures.

The Court found that the respondents had not effectively rebutted the serious allegations of forcible repossession and had produced no material showing prior notice, opportunity of hearing, or lawful recovery proceedings before a competent forum. The Court also emphasized that a repossession clause in a loan agreement does not authorize the creditor to take law into its own hands, and that contractual terms cannot override constitutional guarantees or statutory protections.

The Court also observed that disputes regarding the outstanding dues were contested and required adjudication by a competent forum on evidence, and could not be resolved through unilateral and coercive action by the creditor. It noted the socio-economic reality that the petitioners were transporters and the vehicles were their primary source of sustenance, and held that arbitrary deprivation of such assets without due process results in serious civil consequences and infringes the right to livelihood under Article 21.