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Yes Bank Ltd

Indian prosecutors accuse Yes Bank co-founder of taking kickbacks

Rana Kapoor accused of taking \$84n payment tied to investment in another Indian lender



Rana Kapoor following his arrest in Mumbai on Sunday © AFP via Getty Images

Amy Kazmin in New Delhi MARCH 9 2020

Indian criminal investigators have accused Yes Bank's co-founder Rana Kapoor of receiving illicit kickbacks in 2018 to provide funds to a now bankrupt housing finance company, raising new questions about the troubled institution's lending practices.

Mr Kapoor — who was forced to stand down as [Yes Bank](#) chief executive and managing director in early 2019 amid growing governance concerns — was arrested on Sunday morning, just days after the Reserve Bank of India [seized control](#) of the lender he founded.

In a complaint published on its website on Monday, India's Central Bureau of Investigation accused Mr Kapoor of providing financial support from Yes Bank to then struggling [Dewan Housing Finance](#) in 2018.

The CBI complaint alleged that Mr Kapoor had entered a "criminal conspiracy" with Kapil Wadhawan, the former chair of DHFL, in which Yes Bank had invested \$521m in the second quarter of 2018 in short-term debentures issued by DHFL, which was put into bankruptcy late last year.

As Yes Bank invested in the debentures, the CBI alleged that "simultaneously, Mr Wadhawan paid a kickback of \$84m to [Mr] Kapoor and his family in the garb of a builder loan" by DHFL to a company owned by Mr Kapoor's wife and daughters.

The CBI, which has also accused Mr Kapoor's wife and three daughters of involvement in the scheme, on Monday raided seven locations, including homes and offices, as part of the investigation.

In its complaint, the CBI said it believed that Mr Kapoor had similarly used his official position at Yes Bank in other transactions and "obtained illegal kickbacks directly or indirectly through entities controlled by him and his family members".

However, in a brief court appearance on Sunday, Mr Kapoor, though his lawyer, denied wrongdoing, arguing that he had been made a "scapegoat" for the problems of the bank.

The allegations of criminal wrongdoing, including charges of cheating and bribery, by Yes Bank's once flamboyant founder come as Prime Minister Narendra Modi's government is trying to engineer a [revival](#) of the lender, which is India's fourth-largest private bank with \$47.5bn in assets.

On Thursday night, the RBI replaced Yes Bank's board and temporarily capped withdrawals, saying it had no choice but to take over the bank, which was confronting a serious liquidity crisis after failing to raise [fresh capital](#) to shore up its fragile balance sheet.

A day later, the RBI unveiled a rescue plan that will lead to India's largest [public sector bank](#), the State Bank of India, paying up to \$1.3bn for a 49 per cent stake in Yes Bank, although [SBI hopes to woo other potential investors to join a consortium so it will not have to put in all the money itself](#)

Mr Wadhawan was arrested in late January over alleged money-laundering in an unrelated case, linked to DHFL's transactions with the family of a deceased gangster, and subsequently released on bail on Feb 21. He denied those claims and has yet to comment on the allegations involving his dealings with Yes Bank.

Mr Kapoor's wife and daughters could not be reached for comment.

Yes Bank was long known for its outsized risk appetite, which put it under intense pressure as many of its biggest clients struggled in India's sharply deteriorating economy in recent years.

But the CBI's charge sheet, echoed in a separate complaint by India's Enforcement Directorate, is likely to raise fresh concerns about the quality of the bank's loan book and the amount of capital required to stabilise it.

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