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NCLAT extends legal protection for IL&FS new board directors against banks

The NCLAT has issued an extension of legal protection for the directors at the helm of the newly formed IL&FS board. Consequently, banks are now required to acquire tribunal authorization prior to pursuing claims against these directors for being wilful defaulters. This ruling upholds the safeguards that were previously set in place after the government assumed control.



NCLAT extends legal protection for IL&FS new board directors against banks

The National Company Law Appellate Tribunal (NCLAT) has extended the protection granted to directors of the newly constituted IL&FS board, shielding them from being prosecuted as wilful defaulters by banks.

A two-member bench, comprising Chairperson Justice Ashok Bhushan and Member (Technical) Barun Mitra, clarified that banks can pursue actions against professional directors of the new IL&FS board only after obtaining prior permission from the tribunal.

Earlier, on April 4, 2025, NCLAT had issued an order safeguarding directors appointed after the government takeover of IL&FS from prosecution by banks. However, state-run lenders such as Canara Bank and Indian Bank were allowed to proceed against former IL&FS directors who were not part of the new board.

“The order dated April 4, 2025, is still continuing. We are of the view that the said directions as per order dated October 15, 2018, have been extended to the Professional Directors who are reappointed in the Board,” the bench said.

The government had appointed a new IL&FS board on October 1, 2018, following the surfacing of the firm’s massive Rs 90,000-crore debt. Subsequently, on October 15, 2018, NCLAT had passed an interim order granting a moratorium that halted creditor actions against IL&FS and its 302 group entities amid a severe liquidity crisis.

In its latest clarification, NCLAT reiterated that banks can move against directors of the new board only with the court’s permission. “In view of the aforesaid direction, the bank shall proceed against the Professional Directors of the newly appointed board only after obtaining

leave from the Court,” the tribunal said. The bench also directed that any notices issued to IL&FS directors of the new board after April 4, 2025, cannot be acted upon “without obtaining leave of this court.”

According to an affidavit filed by the new board, “As on September 30, 2025, the total debt discharged to creditors of the Respondent No 1 Group (IL&FS) aggregates to Rs 48,463 crore.” The board has maintained a target of Rs 61,000 crore from overall debt resolution, which constitutes approximately 61.39% of the total external debt of Rs 99,355 crore.

The original board of IL&FS was superseded by the National Company Law Tribunal (NCLT) on October 1, 2018, following a recommendation from the central government in the wake of the firm’s financial crisis.