

News

PhonePe appeals the police notice for user data to the Karnataka High Court.



The issue is related to a 2022 cheating case in which a man allegedly used PhonePe to make many deposits with a sports betting website.

On Wednesday, the payment app PhonePe filed an appeal with the Karnataka High Court's Division Bench over a single judge's April 29 ruling that upheld a police notice requesting user information in an online betting app cheating case [PhonePe v. State of Karnataka].

Chief Justice Vibhu Bakhru and Justice CM Poonacha's Division Bench issued a notice on the appeal and scheduled a follow-up hearing for February 12.

In his appearance on behalf of PhonePe, advocate Nitin Ramesh contended that the single judge had overlooked the fact that UPI service providers are legally protected by the Payment and Settlement Systems Act, 2007 (PSS Act) and the Bankers' Books Evidence Act, 1891. As a result, they cannot be forced to provide customer data by a Section 91 CrPC notice alone.

He argued that the main issue on the Court's agenda was whether it was lawful to use Section 91 to require large data volumes from a UPI middleman.

"The matter concerns the interpretation of Section 91 of the CrPC, Section 22 of the Payment and Settlement Systems Act, and the Bankers' Book Evidence Act," stated Ramesh.

He also questioned if a police officer could send a Section 91 notice to a UPI service provider requesting the full dump of data.

PhonePe emphasized that the company cannot be viewed as any other intermediary for the purpose of data disclosure because it is licensed and subject to the PSS Act.

The case concerned a 2022 cheating complaint. During cricket matches between South Africa and India, a man claimed to have used PhonePe to make several deposits totaling approximately ₹6,000 with a sports betting website.

Later on, though, he was unable to take money out of his virtual wallet, and the website was subsequently blocked.

He accused the website of defrauding him and filed a complaint to have his money returned.

In relation to this allegation, the police notified PhonePe that a complaint had been filed regarding the purported use of its platform to deposit funds with online gambling sites.

In accordance with Section 91 (summons to produce document or other object) of the then-current Code of Criminal Procedure (CrPC), the notification was sent out in December 2022.

Additionally, PhonePe was asked to provide facts on the user to whom these payments were made, whether PhonePe conducted any due diligence prior to customer onboarding, whether PhonePe suspected fraud, and whether it had observed any online gambling-related activity on its platform. A list of clients that engage in

online gambling was also requested.

This notice was contested by PhonePe. It said that under the Payment and Settlement System Act of 2007 and the Bankers Books Evidence Act of 1891, it was legally required to maintain user data confidentiality and that it could only divulge such private information in response to a court order.

However, the solitary judge determined that the statutes mentioned by PhonePe allow information to be shared with statutory bodies, such as investigative organizations. The Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2011 further mandate that online intermediaries give information to investigators within 72 hours of a valid request.

PhonePe has now appealed this decision to the Division Bench.