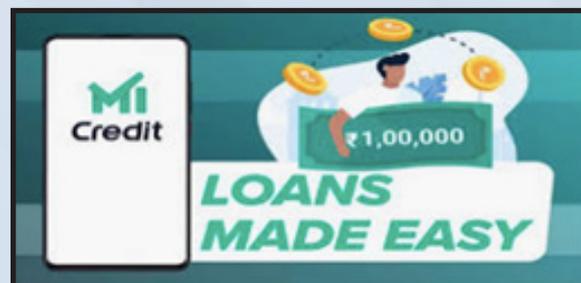


LENDING THROUGH DIGITAL APPS - WHAT TO BE AWARE OF?



INTRODUCTION

The market share of lending through traditional channels is increasingly being ceded to new age digital lending channels like p2p platforms, digital lending apps etc. The lending channels have flexible loan eligibility parameters, offer quick disbursements (ticket size of the loans are anywhere from Rs.2000 to Rs.1.00 lakhs), disburse within 2 days, shorter tenure (1 week to 1 year) and therefore are quite popular among the people who look for emergency short term funding to meet their commitments.

In spite of all the good things stated above, why are the lending apps in wrong reasons in recent days? We will see here.

Recently, there were news reports about people committing suicide after not being able to repay the loans back and as a result, were forced to face questionable recovery practices of these lending apps. Many suicides were attributed to how the lending apps contacted the borrower's contacts and informed them about the non repayment of the loan by the borrower. In some of the cases, the suicide notes revealed how the recovery agents called the borrowers from various phone numbers on single day, verbally abused and threatened for non-repayment.

With suicides being reported every day, the RBI swung into action and issued a Notice on 23rd December 2020 where it urged the people not to avail any loans from predatory lending apps which are unregulated. On the other hand, Google removed five digital lending apps – OkCash, Go Cash, Flip Cash, Ecash, SnapIt Loan, for violation of google's policy where the lending apps are required to disclose minimum and maximum tenure of repayment, total cost of the loan, maximum annual percentage rate.

WHAT WE SHOULD KNOW ?

1. We know that every Bank or NBFC that intends to be in the lending business in India should be registered with the Reserve Bank of India, which is the apex supervisory and regulatory institution for financial entities in India. In most of the cases, the digital lending entities are not registered with RBI and as a result are highly unregulated. With escape from RBI's eyes, these entities float their apps in Playstore / App store, net the gullible borrowers who do not even realize that in case of grievances there is no defined mechanism as the lending entity is unregistered.

2. Earlier in 24th June 2020, RBI issued a Circular on “Loans sourced by Banks & NBFC through digital lending platforms – Adherence to fair practicing code and outsourcing guidelines”; where the RBI mandated that the digital lending platforms must disclose the name of the Bank/ NBFCs at their backend and the Banks/ NBFCs must disclose the names of their lending platform partners on their websites. Banks and NBFCs are allowed to engage lending platforms to provide loans to customers by way of outsourcing and the onus of compliance lies with the Banks and NBFCs. All these apply to registered entities.

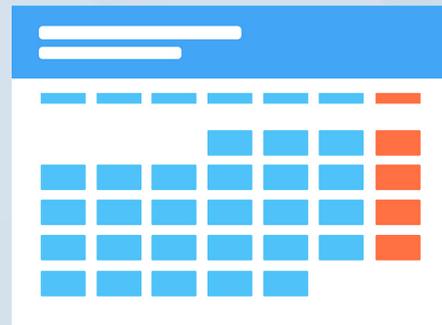
Given that many questionable entities operate their lending apps through fly by night operations, have no physical presence and are unregulated, the activities are outside the ambit of RBI.

3. The RBI notice also warned the borrowers from falling prey to borrowing from unauthorized lending apps/ platforms on promises of getting loans in quick manner. RBI also urged the borrowers not provide their KYC to unauthorized apps or unidentified persons and that in case any one comes across unauthorized lenders, a complaint should immediately be lodged in the Sachet website (<https://sachet.rbi.org.in/home/index>). The list of RBI registered NBFCs are available in the RBI website (https://www.rbi.org.in/Scripts/BS_NBFCList.aspx).
4. RBI has already issued guidelines for engagement of recovery agents by Banks and NBFC that require the lenders should not resort to any sort of harassment for loan recovery and that recovery agents should observe strict customer confidentiality. The Banks and NBFCs are ultimately responsible for the actions of the recovery agents engaged by them. While these apply for the banks and NBFCs, many digital lending entities clearly do not comply with the guidelines. Often in many cases, the recovery agents engaged by the digital lending apps employ various questionable actions like calling the borrowers at odd hours, calling the borrowers contacts and divulging the borrowers default details, threatening in the name of recovery etc.

CONCLUSION:

It is in our best interest to spend a few minutes analyzing the lending platforms before availing the credit facilities. This will ensure that we are protected to an extent in case of default and at least have access to the regulator approved proper channel for grievance redressals. “Borrower beware!”

COMPLIANCE CALENDER NOVEMBER 2021



GST	
GSTR 3B OCT 2021(Turnover in the previous financial year more than Five Crores)	20-11-2021
GSTR 3B OCT 2021 (Others)	22-11-2021
GSTR 1 OCT (Turnover more than Rs. 1.5 Crores)	11-11-2021
Income Tax	
Deposit of TDS	07-11-2021
ESI	
Payment for the month of OCT 2021	15-11-2021
PF	
Payment for the month of OCT 2021	15-11-2021
Return Filing for the month of OCT 2021	25-11-2021