

Recommendations accepted for Immediate Implementation

Para of the WGD Report for Reference	Gist of Recommendation/ suggestion	Status and future course of action
A: Customer Protection & Conduct Requirements		
(3.4.1.2)	<p>i) Direct execution of loan servicing, repayment etc. in a bank account of the balance sheet lenders and disbursements into the bank account of the borrower. Borrowers having only PPI account, and no bank account, can be disbursed loan in fully KYC compliant PPIs</p> <p>ii) Any fees etc. payable to LSPs to be paid by the lenders, and not received by them directly from the borrower</p>	<p>i) REs have to ensure that all loan servicing, repayment, etc., shall be executed directly in their bank account without any pass-through account/ pool account of any third party. The disbursements shall always be made into the bank account of the borrower. Exceptions would be considered for disbursements covered exclusively under statutory or regulatory mandate, flow of money between REs for co-lending transactions, and disbursements where loans are mandated for specified end-use as per regulatory guidelines of RBI or of any other regulator.</p> <p>ii) REs to ensure that any fees, etc. payable to LSPs is paid directly by them (REs) and are not charged by LSP to the borrower directly.</p>
(5.4.3.1)	Standard definitions for the cost of digital Short Term Consumer Credit (STCC)/ micro credit as Annual Percentage Rate (APR)	All-inclusive cost of digital loans as an Annual Percentage Rate (APR) to be disclosed upfront by REs.
(4.4.1.3)	Each DLA owner,	i) REs shall ensure that they and the

	<p>including relevant LSPs, should have a suitably competent nodal officer to deal with FinTech related issues</p>	<p>LSPs engaged by them shall have a suitable nodal grievance redressal officer to deal with FinTech/ digital lending related complaints/ issues raised by the borrowers. Such grievance redressal officer shall also deal with complaints against their respective DLAs. Contact details of such officers shall be displayed on the website of the RE, its LSPs and on DLAs prominently and also in the KFS provided to the borrower. Further, information on the mode of lodging complaint shall also be available on the DLA and on the website. It is reiterated that responsibility of grievance redressal shall continue to remain with the RE.</p> <p>ii) As per extant RBI guidelines, if any complaint lodged by the borrower is not resolved by the RE within the stipulated period (currently 30 days), he/she can lodge a complaint over the Complaint Management System (CMS) portal or other prescribed modes under the Reserve Bank-Integrated Ombudsman Scheme (RB-IOS).</p>
<p>(5.4.1.3)/ (4.4.1.3)</p>	<p>i) Key fact statement (KFS) in standardized format for all digital lending products</p>	<p>i) REs to provide a Key Fact Statement (KFS) to the borrower before the execution of the contract in standardized format for all digital lending products. Any</p>

	<p>ii) Digitally signed documents supporting important transactions through DLAs should automatically flow to registered/verified email of the borrower</p>	<p>fees, charge, etc., which is not mentioned in the KFS cannot be charged by the REs to the borrower at any stage during the term of the loan. The KFS, apart from other necessary information, shall contain the following:</p> <ol style="list-style-type: none"> a. Details of APR, b. Terms and Conditions of recovery mechanism, c. Details of grievance redressal officer designated specifically to deal with digital lending/ FinTech related matter, d. Cooling-off/ look-up period. <p>Till the time the format of KFS is prescribed, the format given in Annex II to the Master Direction - Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022 dated March 14, 2022, can be used to the extent applicable.</p> <p>ii) REs to ensure that digitally signed documents supporting important transactions through DLAs of REs/LSPs, such as KFS, summary of product, sanction letter, terms and conditions, account statements, privacy policies of the LSPs with respect to borrowers' data, etc., shall automatically flow from the lender to the registered/verified email/ SMS of the</p>
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(5.4.2.2)	Prohibition on automatic increases in credit limits except with customer's explicit consent.	REs to ensure that automatic increases in credit limits are prohibited unless explicit consent of borrower is taken on record for each such increase.
(3.4.2.4)	Publishing the list of LSPs engaged by REs on their website.	REs shall publish the list of LSPs (and DLAs, if any) engaged by them along with the details of the activities for which they have been engaged, on their website.
(5.4.2.1)	Lenders to capture the economic profile of borrower and assess the borrower's creditworthiness in an auditable way	REs may capture the economic profile of the borrowers (age, occupation, income etc) before extending any loans over DLAs, with a view to assess the borrower's creditworthiness in an auditable way.
(5.4.1.2)	<ul style="list-style-type: none"> i) A cooling off/ look-up period of certain days for all digitally obtained loans ii) Education to users at on-boarding/sign-up stage about the product features by DLAs. 	<ul style="list-style-type: none"> i) A cooling off/ look-up period as determined by the Board of RE shall be given to borrowers for exiting digital loans in case borrower decides to not continue with the loan during that period, by paying the principal and proportionate APR without any penalty. For borrowers continuing with the loan even after look-up period, pre-payment shall continue to be allowed as per extant RBI guidelines⁹ on the matter. ii) REs to ensure that their DLAs or DLAs of their LSPs at on-boarding/sign-up stage,

⁹ In terms of [Circular DBR.Dir.BC.No.08/13.03.00/2019-20](#) for banks and [DNBR \(PD\) CC.No.101/03.10.001/2019-20](#) for NBFCs on "Levy of Foreclosure Charges /Pre-payment Penalty on Floating Rate Term Loans", both dated August 02, 2019.

		<p>prominently display information relating to the product features, loan limit and cost, etc. so as to make the borrowers aware about these aspects.</p>
(5.4.4.3)	<ul style="list-style-type: none"> i) Enhanced due diligence by the Balance Sheet Lenders before entering into partnership with an LSP ii) Communication from the lender to the borrower about the details of LSPs who have sourced the loan and prior communication about the LSP entrusted with recovery iii) Periodic review of the conduct of the LSPs engaged in recovery iv) Standardized code of conduct for recovery to be framed by the proposed SRO in consultation with RBI. 	<ul style="list-style-type: none"> i) REs must conduct enhanced due diligence process before entering into a partnership with a LSP for digital lending, taking into account its technical abilities, data privacy policies and storage systems, fairness in conduct with borrowers and ability to comply with regulations and statutes. ii) REs to ensure that LSPs engaged by them do not store personal information of borrowers except for some basic minimal data (viz. name, address, contact details of the customer, etc.) that may be required to carry out their operations. Responsibility regarding data privacy and security of the customer's personal information will be of the RE. iii) REs to communicate to the borrower, at the time of sanctioning of the loan and also at the time of passing on the recovery responsibilities to an LSP or change in the LSP responsible for recovery, the details of the LSP acting as recovery agent who is authorised to approach the borrower for recovery.

		<p>iv) REs should carry out periodic review of the conduct of the LSPs engaged by them.</p> <p>v) REs should impart necessary guidance to LSPs acting as recovery agents to discharge their duties responsibly. Further, standardized code of conduct for recovery is envisaged to be framed by the proposed SRO in consultation with RBI. Till the time SRO is set-up, guidance on fair recovery practices to be issued to REs by RBI.</p>
(3.4.3.2)	<p>i) Regular agenda in SLCC covering reports on unauthorized apps in the market involved in digital lending</p> <p>ii) Induction of TRAI as member/ need based invitee to SLCC</p>	<p>i) There shall be a regular agenda at State Level Coordination Committee (SLCC) meetings covering reports on unauthorized apps in the market involved in digital lending/ illegal recovery and such other types of activities.</p> <p>ii) Need based invitation to TRAI will be taken up with TRAI by the RBI.</p>
B: Technology & Data Requirements		
(4.4.3.1)	<p>i) Policy on customer consent</p> <p>ii) Clear policy guidelines regarding the storage of data. No biometric data</p>	<p>Requirements on data collection and usage:</p> <p>i) Any collection of data by DLAs should be need-based and with prior and explicit consent of the borrower which can be audited, if required. In any case, DLAs</p>

	<p>related to customer due diligence should be stored in the systems associated with the DLA</p> <p>iii) DLA should make its comprehensive privacy policy available in public domain.</p> <p>iv) Details of any third parties, that are allowed to collect personal information via DLA, have also to be disclosed.</p> <p>v) Standards for handling security breach.</p>	<p>should desist from accessing mobile phone resources such as file and media, contact list, call logs, telephony functions, etc. A one-time access can be taken for camera, microphone, location or any other facility necessary for the purpose of on-boarding/ KYC requirements only with the explicit consent of the borrower.</p> <p>ii) The borrower should be provided with an option to give or deny consent for use of specific data, restrict disclosure to third parties, data retention, revoke consent already granted to collect his personal data and if required, make the app delete/ forget the data.</p> <p>iii) REs shall ensure that DLAs have a comprehensive privacy policy compliant with applicable laws, associated regulations and RBI guidelines. For access and collection of personal information of borrowers, DLAs of REs/LSPs should make the comprehensive privacy policy available publicly. The purpose of obtaining borrowers' consent needs to be disclosed at each stage of interface with the borrowers.</p>
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(4.4.1.3)	<p>i) Each DLA should have links to its own secured website to display various information required by the borrowers</p>	<p>i) REs to ensure that DLAs of REs/LSPs should have links to REs' website where further/ detailed information about the loan products, the lender, the LSP, particulars of customer care, link to Sachet Portal, privacy policies,</p>

	<p>ii) Compliance with various basic technology standards/ requirements on cybersecurity should be a pre-condition to offer digital lending by the REs and LSPs providing support to REs</p>	<p>etc. can be accessed by the borrowers.</p> <p>ii) Compliance with various technology standards/ requirements on cybersecurity stipulated by RBI or other agencies, or as may be specified from time to time, to be a pre-condition to offer digital lending by the REs and LSPs.</p>
(4.4.2.2)	Data should be stored in servers located in India	REs to ensure that all data is stored in servers located within India while ensuring compliance with statutory obligations/ regulatory instructions.
C: Regulatory Framework		
(3.4.1.4)/ (3.4.1.2)	<p>i) Reporting of lending done by REs through DLAs to CICs</p> <p>ii) Treating new digital lending products such as BNPL etc. as part of lending, if not in the nature of operational credit by merchants</p>	<p>i) REs to ensure that any lending done through DLAs is reported to CICs irrespective of its nature/ tenor.</p> <p>ii) Extension of new digital lending products by REs over a merchant platform involving short term, unsecured/ secured credits or deferred payments need to be reported to credit bureaus by the REs. REs shall ensure that LSPs, if any, associated with such deferred payment credit products shall abide by the extant outsourcing guidelines issued by the Bank and be guided by the contents of this press release.</p>