



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
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DOR (NBFC) (PD) CC. No.112/03.10.001/2019-20

June 24, 2020

All Scheduled Commercial Banks (excluding RRBs)
All Non-Banking Financial Companies (including Housing Finance Companies)

Madam/ Dear Sir,

**Loans Sourced by Banks and NBFCs over Digital Lending Platforms:
Adherence to Fair Practices Code and Outsourcing Guidelines**

It has been observed that many digital platforms have emerged in the financial sector claiming to offer hassle free loans to retail individuals, small traders, and other borrowers. Banks and NBFCs are also seen to be engaging digital platforms to provide loans to their customers. In addition, some NBFCs have been registered with Reserve Bank as 'digital-only' lending entities while some NBFCs are registered to work both on digital and brick-mortar channels of credit delivery. Thus banks and NBFCs are observed to lend either directly through their own digital platforms or through a digital lending platform under an outsourcing arrangement.

2. It has further been observed that the lending platforms tend to portray themselves as lenders without disclosing the name of the bank/ NBFC at the backend, as a consequence of which, customers are not able to access grievance redressal avenues available under the regulatory framework. Of late, there are several complaints against the lending platforms which primarily relate to exorbitant interest rates, non-transparent methods to calculate interest, harsh recovery measures, unauthorised use of personal data and bad behavior.

3. Although digital delivery in credit intermediation is a welcome development, concerns emanate from non-transparency of transactions and violation of extant guidelines on outsourcing of financial services and Fair Practices Code, etc. issued to banks and NBFCs, a reference to which is drawn in the [Annex](#). It is, therefore, reiterated that banks and NBFCs, irrespective of whether they lend through their own digital lending platform or through an outsourced lending platform, must adhere to the Fair Practices Code guidelines in letter and spirit. They must also meticulously follow regulatory instructions on outsourcing of financial services and IT services.

4. It must be noted that outsourcing of any activity by banks/ NBFCs does not diminish their obligations, as the onus of compliance with regulatory instructions rests solely with them. Wherever banks and NBFCs engage digital lending platforms as their agents to source borrowers and/ or to recover dues, they must follow the following instructions:

- a) Names of digital lending platforms engaged as agents shall be disclosed on the website of banks/ NBFCs.
- b) Digital lending platforms engaged as agents shall be directed to disclose upfront to the customer, the name of the bank/ NBFC on whose behalf they are interacting with him.
- c) Immediately after sanction but before execution of the loan agreement, the sanction letter shall be issued to the borrower on the letter head of the bank/ NBFC concerned.
- d) A copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement shall be furnished to all borrowers at the time of sanction/ disbursement of loans.
- e) Effective oversight and monitoring shall be ensured over the digital lending platforms engaged by the banks/ NBFCs.
- f) Adequate efforts shall be made towards creation of awareness about the grievance redressal mechanism.

5. Any violation in this regard by banks and NBFCs (including NBFCs registered to operate on 'digital-only' or on digital and brick-mortar channels of delivery of credit) will be viewed seriously.

Yours faithfully

(Manoranjan Mishra)
Chief General Manager

Reference to extant instructions

- a) Para 2.5.2 (ii) (loan appraisal and terms/conditions) of 'Guidelines on Fair Practices Code for Lender' and Para 2.6 of 'Guidelines on Recovery Agents engaged by banks', of [Master Circular on 'Loans and Advances – Statutory and Other Restrictions' dated July 01, 2015](#);
- b) Para 4 of Annex to circular on '[Guidelines on Managing Risks and Code of Conduct in Outsourcing of Financial Services by banks' dated November 03, 2006](#)
- c) Para 8.5(b) of [Master Circular on 'Customer Service in Banks' dated July 01, 2015](#);
- d) Para 29 (loan appraisal and terms/conditions) of the guidelines on Fair Practices Code and Para 4 of Annex XXV (Directions on Managing Risks and Code of Conduct in Outsourcing of Financial Services by NBFCs) of the [Master Directions on Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company \(Reserve Bank\) Directions, 2016](#)
- e) Para 7.2 of Section A of [Master Direction on 'Information Technology Framework for the NBFC Sector' dated June 08, 2017](#); and,
- f) Para 29 (loan appraisal and terms/conditions) of the guidelines on Fair Practices Code and Para 4.1 of Annex XIX (Directions on Managing Risks and Code of Conduct in Outsourcing of Financial Services by NBFCs) of the [Master Directions on Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company \(Reserve Bank\) Directions, 2016](#).
