

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA

UNSTARRED QUESTION NO.†119

To be answered on the 18th July 2022/Ashadha27, 1944 (Saka)

Harassment by Fintech Companies

†119.SHRI KUNWAR PUSHPENDRA SINGH CHANDEL:

Will the Minister of FINANCE be pleased to state:

- (a) whether cases of harassment of debtors by the Fintech companies have come to light of the Government;
- (b) if so, the details thereof;
- (c) whether the Government is taking any concrete steps to make new rules for the said companies and for the compliance of the same; and
- (d) if so, the details thereof?

ANSWER

THE MINISTER OF STATE FOR FINANCE
(DR. BHAGWAT KARAD)

(a) to (d): As per Working Group constituted by Reserve Bank of India (RBI) on digital lending, FinTech platforms generally collect data from customers. FinTech platforms also track information such as customers' spending and social media patterns to generate an alternative credit score for determining their risk profile. While accepting terms and conditions of these platforms, customers are generally signing away their privacy rights. This leads to concerns about protection of customers' data from unauthorised access, explicit consent and awareness of customers about harvesting of their personal/ online behavioural data and sharing of data with third parties. Several consumer complaints were analysed by RBI that cite instances of digital lenders or digital lending apps misusing the data collected. Certain lending apps are using this data to follow up with the borrower's contacts in case of delays in repayment.

RBI has issued guidelines on “Loans Sourced by Banks and NBFCs over Digital Lending Platforms: Adherence to Fair Practices Code and Outsourcing Guidelines” dated 24.6.2020. In terms of these guidelines, 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:

- Names of digital lending platforms engaged as agents shall be disclosed on the website of banks/ NBFCs.
- 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 the customer.
- 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.
- 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.
- Effective oversight and monitoring shall be ensured over the digital lending platforms engaged by the banks/ NBFCs.
- Adequate efforts shall be made towards creation of awareness about the grievance redressal mechanism.

Also, appropriate guidelines have been prescribed by RBI for both banks and NBFCs suggesting measures to be undertaken to ensure stability and security of their IT systems and prevent incidences of cyber breaches which may have implications on consumer protection.

Further, Consumer Protection Act, 2019 is also applicable to banking and financing services, which provides for enforcement of consumer rights and has brought e-commerce and electronic service providers within its ambit and is hence applicable to digital lenders and their agents. The Act *inter-alia* has specific provisions prohibiting false and misleading advertisements, and unfair trade practices.

Also, Ministry of Home Affairs has created Indian Cyber Crime Coordination Centre (I4C) to deal with cyber crimes in coordinated and effective manner.
