

GOVERNMENT OF INDIA
MINISTRY OF FINANCE

LOK SABHA
STARRED QUESTION NO. *204
ANSWERED ON DECEMBER 18, 2023/ AGRAHAYANA 27, 1945 (SAKA)

Fraudulent Loan Apps

***204. SHRI NABA KUMAR SARANIA:**

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government is taking steps to address the increasing risks associated with fraudulent loan apps, particularly in terms of outrageous interest rates and mental harassment;
- (b) if so, the details thereof, if not, the reasons therefor;
- (c) whether steps have been taken to address the concerns raised about the limited applicability of RBI guidelines to regulate entities like banks and NBFCs, leaving fraudulent apps largely unchecked;
- (d) if so, the details thereof and if not, the reasons therefor;
- (e) whether the Government has prepared any strategy to increase consumer awareness and protection, with a focus on educating buyers about the risks associated with fraudulent loan apps and promoting responsible borrowing habits; and
- (f) if so, the details thereof and if not, the reasons therefor?

ANSWER

FINANCE MINISTER
(SMT. NIRMALA SITHARAMAN)

(a) to (f): A statement is laid on the Table of the House.

Statement referred to in reply to parts (a) to (f) in respect of Lok Sabha Starred Question No. *204 for reply on 18.12.2023 regarding Fraudulent Loan Apps asked by Shri Naba Kumar Sarania.

(a) to (d): Reserve Bank of India (RBI) had constituted a Working Group on Digital Lending including lending through Online Platforms and Mobile Apps. Based on its recommendations, RBI has issued regulatory guidelines on digital lending *vide* circular dated 2.9.2022, which aims at firming up the regulatory framework for digital lending, while enhancing customer protection and making digital lending ecosystem safe and sound.

The Guidelines mandate Regulated Entities (REs) i.e. Banks/NBFC to ensure that the Lending Service Providers (LSPs) engaged by them and the Digital Lending Apps (DLAs) (either of the RE or of the LSP engaged by the RE) comply with the guidelines contained in this circular which inter alia provide:

- (i) REs to disclose upfront Annual Percentage Rate (APR) as an all-inclusive cost of digital loans for the borrower,
- (ii) Lending Service Provider cannot charge any fee, charges, etc. from the borrower and same must be paid directly by the REs with which they are engaged,
- (iii) Disbursement & repayment of loans should be strictly between the bank accounts of RE and the borrower,
- (iv) The borrower has to be provided with a Key Fact Statement (KFS) before the execution of contract in a standardized format containing the details of APR.

These guidelines also have detailed provision regarding recovery, data privacy, and customer grievance redressal measures for REs of RBI and their agents, who are operating under an outsourcing arrangement with the RE. The responsibility of complying with the guidelines by even the outsourced agents has been put on REs.

The Government is constantly engaged with RBI and other concerned Regulators/stakeholders with the objective to control fraudulent loan apps. The matter is also regularly discussed and monitored in the meetings of Financial Stability and Development Council (FSDC), an inter-regulatory forum under the chairpersonship of Hon'ble Finance Minister. The objective is to remain proactive, maintain cyber security preparedness with constant vigil and take appropriate & timely action, to mitigate any such vulnerabilities in the Indian financial system.

Some of the other initiatives taken to control fraudulent loan apps are as follows:

- (i) RBI has shared a "whitelist" of legal apps to the GOI. This 'whitelist' was shared by Ministry of Electronics and Information Technology (MeitY) with Google, whose app store is the primary source of distribution of digital lending apps.

- (ii) Google has updated its policy regarding enforcement of loan lending apps on the play store and has also deployed additional policy requirements with strict enforcement actions for Lending Apps in India.
- (iii) As per their revised policy, only those apps are allowed on the Play Store which are published by REs or those working in partnership with REs.
- (iv) Between April 2021 and July 2022, Google also reviewed approximately 3500 to 4000 loan lending apps and suspended or removed over 2500 fraudulent loan apps from its play store.
- (v) Indian Cyber Crime Coordination Centre (I4C), Ministry of Home Affairs (MHA) has been regularly analysing the digital lending apps proactively. Based on its analysis and complaints reported on the National Cyber Crime Reporting Portal, I4C team analyzes Apps on various parameters, and report such Apps to MeitY which are found suspicious, for blocking.

(e) to (f): In order to spread awareness against cyber-crimes and to safeguard interests of citizens, several steps have been taken by Government, RBI and Banks. Some of the initiatives taken in this direction are as follows:

- (i) RBI has formulated conducting of electronic-banking awareness and training (e-BAAT) which has largely focussed on awareness about frauds and risk mitigation.
- (ii) A framework for financial education has been worked out by RBI for inclusion in the education curriculum of school students in coordination with the National Centre for Financial Education (NCFE).
- (iii) A Nation-wide Intensive Awareness Programme (NIAP) was carried out in collaboration with the REs of RBI.
- (iv) RBI has also been conducting Financial Literacy Week (FLW) and Banks has been advised to conduct special camps through Financial Literacy Centres (FLCs) and rural branches.
- (v) Dissemination of messages on cyber-crime through short message service (SMS), radio campaigns, publicity on prevention of cyber-crime and cyber safety tips through social media accounts of the I4C.
- (vi) Publishing of a handbook for adolescents/ students and information security Best practices for government officials by MHA.
- (vii) Organising cyber safety and security awareness weeks in association with States and Union territories by MHA.
