RBI issues Digital Lending Directions, 2025

Digital Lending refers to a remote and automated lending process, largely by the use of seamless digital technologies for customer acquisition, credit assessment, loan approval, disbursement, recovery and associated customer service.

- Regulated Entities (REs) have to conduct enhanced due diligence before they enter into an agreement with a Lending Service Provider (LSP) for digital lending.
- LSP will provide a digital view of all the loan offers matching the borrower's request on the Digital Lending Apps (DLAs) which meets the requirement of the borrower.
- The content displayed by the LSP shall be unbiased, objective and shall not directly/indirectly promote or push a product of a particular RE.
- There should be no automatic increase in credit limit unless an explicit request is received, evaluated and kept on record from the borrower for such increase.
- The option to exit a digital loan can be given to borrowers by paying the principal and the proportionate Annual Percentage Rate (APR) without any penalty during an initial "cooling-off period".
- The RE and the LSP which has an interface with the borrower, shall designate nodal grievance redressal officers to deal with digital lending related complaints/issues raised by the borrowers.
- Explicit consent of the borrower should be taken before sharing personal information with any third party.
- The biometric data should not be stored/collected by the RE and LSP.
- RE and LSPs engaged by RE should have a comprehensive privacy policy compliant with applicable laws.
- REs have to ensure that the total amount of Default Loss Guarantee (DLG) cover on any outstanding portfolio which is specified upfront shall not exceed 5% of the total amount disbursed out of that loan portfolio at any given time.

Source: https://rbi.org.in/Scripts/NotificationUser.aspx?Id=12848&Mode=0