



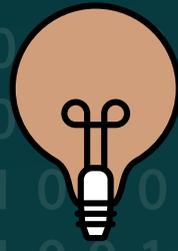
Morning Bytes

a simple take on everything legal.



MOONSTONE PARTNERS

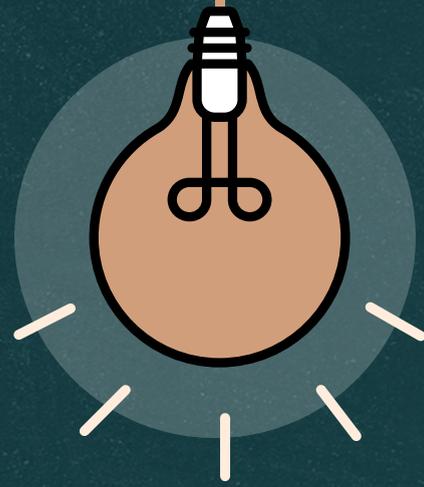




DO YOU KNOW?

What is digital lending?





In words of the Reserve Bank of India, digital lending is



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

Simply put, when a person avails an instant loan from a lender through a web-based or mobile application, it is called **digital lending**.





WHO ALL ARE INVOLVED IN DIGITAL LENDING?

RBI-regulated entities aka the
lenders (one who lends),

the tech service
provider (one who
provides services to
the lenders),

digital lending app
(platform where the
digital lending happens),

and of course,
the borrower (one who
borrows).





HOW DOES DIGITAL LENDING TAKE PLACE?



All through a few clicks on the digital lending app.

Here's how.

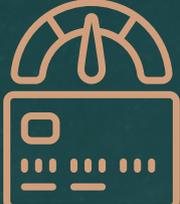


 Create a profile on the platform.

 Upload the KYC documents.

 Voila, account is credited with the loan amount!

 Select loan amount and tenure.

 LSP conducts credit check & informs lender.

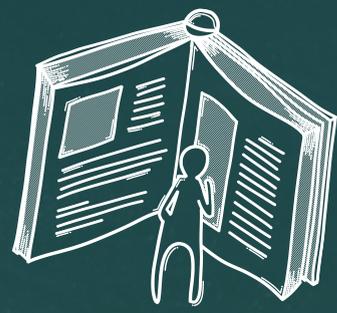




This sounds fantastic.

Then **WHY** is there such hue and cry about digital lending?

What is the problem?





Here's why

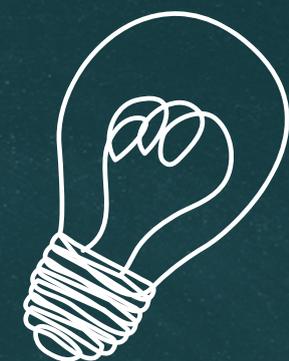
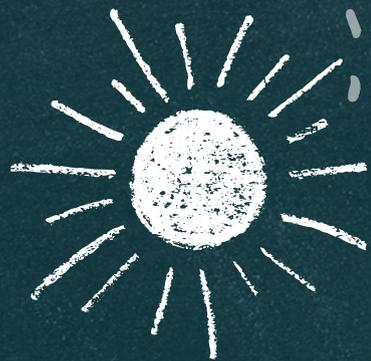
Indian law allows **only** banks and financial companies to lend.

However, this did not stop certain fringe players from promising quick, hassle-free and instant loan to the needy. What then followed was reports of these platform operators charging astronomical interest rates (even 100%), high-handed recovery practices, illegally accessing personal data on the borrower's mobile phone to abuse, intimidate and often blackmail to recover exorbitant amounts.

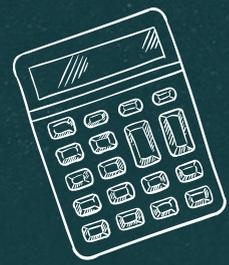
Some people reportedly even took their own lives due to the immense pressure from the agents of such unregulated loan apps.

Imagine, how many people fell prey to such apps when means of income were nil for many in the country during the lockdown!





Want to know more?



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