



Digital Lending Industry
Code of Conduct
for Responsible Digital Lending

September, 2023

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CODE OF CONDUCT FOR RESPONSIBLE DIGITAL LENDING

I. INTRODUCTION AND IMPLEMENTATION

In furtherance of DLAI's commitment towards creating an industry-led self-regulatory body and aligning its values with the applicable regulatory directions, the Digital Lenders' Association of India ("**DLAI**") is introducing this 2nd edition of its code of conduct ("**Code of Conduct**"). The erstwhile Code of Conduct dated is henceforth discontinued and this Code of Conduct (2nd edition) is instituted in its place. The Code of Conduct will come into effect from September 23,2023.

Industry self-governance, by virtue of being developed by the members of the industry themselves, can lead to more appropriate regulations which have higher compliance rates. Further, self-regulation encourages members (lending institutions) to look beyond their immediate monetary bottom lines and internalize the larger impacts of their business – such as protecting customers, furthering training and education for the customers and the employees alike, and striving for the development of its members, the industry, and the ecosystem as a whole, which in turn leads to a healthier and more profitable ecosystem in the long run. With recent strong growth in the digital lending industry in India, there is a need for industry participants to maintain a strong Code of Conduct to prevent the rise of unscrupulous practices that could cause harm to the industry by reducing the confidence of customers, regulators, and other market participants. Safeguarding the customer's interests provides the industry with trust and legitimacy, which is in the digital lending industry's long-term business interests.

This new Code of Conduct is centered around 8 (eight) core elements. The Code of Conduct sets out the processes and guidelines under each core element to actualise them into clear actionable points. This Code of Conduct must be viewed as a minimum industry standard. Thus, this Code of Conduct has been made binding on every member of the DLAI engaged in the business of digital lending, whether regulated or not. The applicability of this Code of Conduct is set out in Section II (*Applicability*) below.

The Reserve Bank of India ("**RBI**") issued the 'Guidelines on Digital Lending' dated September 02, 2022 ("**Digital Lending Guidelines**"), pursuant to which the RBI has shifted away from the light touch approach and prescribed a regulatory framework for digital lending in India. The Digital Lending Guidelines identify two types of players in the digital lending ecosystem:

(i) regulated entities such as commercial banks, co-operative banks, and non-banking financial companies (including housing finance companies) (**REs**); and

(ii) lending service providers who enter into partnership arrangements with REs to provide digital lending products to consumers. The Digital Lending Guidelines place the primary onus of compliance on the REs, as mentioned below:

- a) all commercial banks;
- b) primary (urban) co-operative banks, state co-operative banks, district central co-operative banks; and
- c) Non-Banking Financial Companies (“NBFCs”) (including Housing Finance Companies).

The onus of compliance with the Digital Lending Guidelines is directly on the REs and not on the lending service providers/digital lending applications. However, the RE is required to ensure compliance by lending service providers/ digital lending applications, which may be achieved by way of appropriate contractual arrangements between REs and lending service providers/ digital lending applications [1]. The introduction of the Digital Lending Guidelines has necessitated the current revisions to the Code of Conduct.

All members of DLAI are required to incorporate the Code of Conduct as a part of their fair practices code (similar to Banks and NBFCs). This Code of Conduct is required to be displayed by all members at every point of customer interface – especially on the member’s website and the digital lending application through which the lending activities are undertaken by the member.

Any concerned person may contact DLAI for any queries, information, or clarifications regarding the implementation of the Code of Conduct at: sro@dlai.in.

II. APPLICABILITY

1. This Code of Conduct is a set of principles, processes, and guidelines that are binding on every RE [2], lending service provider [3], digital lending application [4], as well as other entities offering digital lending [5] products or service to customers, which are affiliated with the DLAI as a member (“Member”).
2. For REs, lending service providers, digital lending applications, and all other Members of the DLAI, this Code of Conduct is obligatory to follow and is a necessary condition for membership. DLAI would enforce adherence to the Code of Conduct by Members.
3. This Code of Conduct applies to Members in all their dealings, interactions, communications, transmissions, and transactions with any individual, person, or business (“customer”) to whom any digital lending product or service is offered or provided by such Member.
4. Any non-adherence with the measures set out under this Code of Conduct will invite the governance and enforcement measures set out in clause 5 (Sanctions) of Part H (Governance and Enforcement) of Section IV (Code of Conduct) below.

5. All other REs, lending service providers, digital lending applications, and other entities offering digital lending products or services to customers are strongly encouraged to voluntarily adopt the Code of Conduct as a measure of best practice by the industry.
6. This Code of Conduct aligns with and is in addition to all laws and regulations applicable for lending businesses, including all current regulations and directions issued by the RBI, SEBI, Central and State Governments, etc., and by no means aims to override any applicable law or regulatory guidance. When there is any conflict or inconsistency between this Code of Conduct and any law or regulation, such law or regulation will prevail.
7. This Code of Conduct is subject to review by the board of directors of DLAI (“Board”) from time to time, [which review shall be conducted at least once in every calendar year].

III. ADHERENCE WITH THE DIGITAL LENDING GUIDELINES

(REGULATORY FRAMEWORK FOR DIGITAL LENDING)

1. The fund flow must be directly between the borrower and the RE (except for disbursements covered exclusively under statutory or regulatory mandate). The funds cannot flow through the account of a lending service provider or a digital lending application. Similarly, any fees, charges, etc. payable to the lending service provider shall be paid by the REs and no funds shall flow from the borrower to the lending service provider. (*Paragraphs 3 and 4*)
2. REs shall provide a key fact statement to the borrower before execution of the contract (which must be in the prescribed format) for all digital lending products. The key fact statement shall contain details of annual percentage rate (which must be disclosed upfront as an all-inclusive cost of digital loan to the borrower), recovery mechanism, details of grievance redressal officer, cooling off period, penal interest or charges (if any, based on outstanding amount of the loan) levied on the borrowers. Fees or charges not mentioned in the key fact statement cannot be charged by the REs at any stage. (*Paragraphs 4.2, 5.1, and 5.2*)
3. The REs shall ensure that in absence of physical documents the digitally signed documents on the letterhead of the RE shall automatically flow to the registered and verified email/SMS of the borrower upon execution of the loan contract. (*Paragraph 5.3*)
4. The list of lending service providers of the REs, the digital lending applications of the REs, and their lending service providers or any other party (e.g., In-app advertising) shall be prominently published on the website of the REs along with details of activities for which they have been engaged. (*Paragraph 5.4*)
5. The digital lending applications of both the REs and their lending service providers shall prominently display information relating to product features, loan limit, cost, etc., at the sign-up/on-boarding stage and must also have links to the REs’ website where detailed information about the loan products, the lender, the lending service providers, particulars of the customer

care details, link to the RBI's Sachet Portal, privacy policy, etc., prominently provided at a single place can be easily accessed by the borrower. *(Paragraphs 5.5 and 5.7)*

6. The REs shall inform the borrower about the details of the lending service provider and/or any other intermediary acting as recovery agent and authorised to approach the borrower for recovery, at the time of sanctioning the loan amount and while appointing a lending service provider as a recovery agent or change in recovery agent. *(Paragraph 5.6)*
7. REs shall ensure that they and their lending service providers have a nodal grievance redressal officer to deal with fintech/digital lending-related and digital lending application-related complaints raised by the borrower. The REs' and their lending service providers' websites and their digital lending applications and the key fact statement shall prominently display the contact details of the grievance redressal officer. The REs' and their lending service providers' websites and their digital lending applications shall provide the facility to lodge complaints. The responsibility of grievance redressal shall remain with the REs and if the complaint is not resolved within 30 days, the borrower can lodge a complaint over the Complaint Management System portal under the RBI Ombudsman Scheme. *(Paragraph 6)*
8. REs shall capture the economic profile of the borrowers before extending any loan to assess the borrower's creditworthiness. REs shall also ensure that the credit limit of the borrower is not increased without explicit consent taken on record. *(Paragraph 7)*
9. The borrower shall be given an explicit option to exit the digital loan by paying the principal and proportionate annual percentage rate without any additional penalty during the cooling-off/looking-up period. The Board of the RE shall determine the duration of the cooling-off period which must be at least three days for loans having a duration of seven days and a maximum of one day for loans having a duration less than seven days. Pre-payment shall be allowed to borrowers continuing after the cooling-off period as per RBI extant guidelines. *(Paragraph 8)*
10. REs shall conduct enhanced due diligence with respect to technical abilities, data privacy policies and storage systems, fairness in conduct with borrowers, and ability to comply with regulations and statutes, before entering into partnership with a lending service provider for digital lending. REs shall carry out periodic review of the conduct of their lending service providers and impart necessary guidance to the lending service providers acting as recovery agents to discharge their duties responsibly and in compliance with extant instructions. *(Paragraph 9)*
11. REs shall ensure that any collection of data by the REs' or their lending service providers' digital lending applications is need-based and on explicit prior consent of the borrower having an audit trail. REs shall ensure that the digital lending applications desist from accessing mobile phone resources like file and media, contact list, call logs, telephony functions, etc. one time access for camera, microphone, location, etc., necessary for on-boarding/KYC requirements may be taken with the explicit consent of the borrower. *(Paragraph 10.1)*
12. The borrower shall be provided with an option to give or deny consent for the use of specific data, restrict disclosure to third parties, data retention, revoke consent already granted to collect personal data, and make the application delete/forget the data. *(Paragraph 10.2)*

13. The purpose of obtaining borrowers' consent needs to be disclosed at each stage of interface with the borrowers. *(Paragraph 10.3)*
14. Explicit consent of the borrower shall be taken before sharing personal information with any third party, except for cases where such sharing is required as per statutory or regulatory requirements. *(Paragraph 10.4)*
15. REs are also required to ensure that (a) the lending service providers they engage with do not store the personal information of borrowers except some basic minimal data (viz., name, address, contact details of the customer, etc.) that may be required to carry out their operations; (b) clear policy guidelines regarding the storage of customer data including the type of data that can be stored, the length of time for which data can be stored, restrictions on the use of data, data destruction protocol, standards for handling security breach, etc., are put in place; (c) the data sets that are collected by a lending service provider or a digital lending application is disclosed prominently on its website and application at all times; and (d) each lending service provider that it partners with has a comprehensive privacy policy in place that is in compliance with applicable laws, rules, and regulations. *(Paragraph 11)*
16. REs must ensure that all data is stored only on servers located in India. Further, REs must also ensure that no biometric data of any customer is stored by any lending service provider or any digital lending application. *(Paragraph 11)*
17. REs shall ensure that their digital lending applications and lending service providers engaged by them have a comprehensive privacy policy (including details of third parties allowed to collect personal information through the digital lending applications) compliant with applicable laws, associated regulations, and RBI guidelines. For access and collection of personal information of borrowers, digital lending applications of REs/ lending service providers should make the comprehensive privacy policy available publicly. *(Paragraph 12)*
18. REs shall ensure that they and their lending service providers comply with various technology standards/requirements on cybersecurity stipulated by RBI and other agencies, or as may be specified from time to time, for undertaking digital lending. *(Paragraph 13)*
19. REs shall ensure that any lending done through their digital lending application and/or digital lending applications of their lending service providers is reported to credit information companies irrespective of its nature/ tenor. REs shall ensure that lending service providers associated with such deferred payment credit products shall abide by the extant outsourcing guidelines issued by the RBI. *(Paragraph 14)*

IV. CODE OF CONDUCT

THE CODE OF CONDUCT IS CENTERED AROUND 8 (EIGHT) CORE ELEMENTS:

A. Transparency and Disclosures

1. Every Member must display the Code of Conduct as part of their fair practices code (similar to Banks and NBFs) at the point of customer interface – must on the Member’s website (if any) and the digital lending application (app) through which the lending activities are undertaken by the Member.
2. Members must offer products and services that are not misleading, deceptive, or unclear. Members must ensure that their marketing and advertising material [6] and outreach to customers is not false, misleading, or deceptive.
3. Members must provide relevant information in a key fact statement in a standardized format and in a language that their customers would reasonably understand.[7]
4. Members must ensure that detailed terms and conditions of the financial product and services offered, loan limits and cost, etc. are made available to the customer at the onboarding/ customer engagement stage.
5. Members must ensure that digital and/or physically signed copies of the key fact statement, summary of loan product, sanction letter, loan agreement, and terms and conditions, applicable to the credit products being availed by a borrower are automatically provided to the borrowers on their registered and verified email address and over SMS, on or before disbursement of the loan
6. All REs must prominently publish on their website a list of their latest version of digital lending applications, their active lending service providers (LSP), and the latest version of digital lending applications of their lending service providers. Every Member must ensure that their names and contact details of active LSPs with customer interface appear on the website of each of the REs they are engaged with.
7. It must be clearly disclosed to the customers that they are taking a loan and that this will have consequences in terms of credit bureau reporting and potential legal action in case of an event of default.
8. The customer must understand that they have an obligation to repay the loan and the exact consequences of non-payment or delayed payment.
9. The customer must understand who the exact loan provider on record is (The RE) and who will be collecting repayments in connection with the loan. In the event the Member is not the lender on record, the customer should understand the role and responsibility of the Member in the process and transaction relating to the provision of financial products and services.
10. The Member must clearly mention an annual percentage rate in its key fact statement which includes and lists all costs and fees applicable to the financial product or service offered, including all upfront fees, processing fees, interest costs, insurance costs, registration fees, provisions, re-arrangement fees, late fees, pre-payment fees or penalties and any other costs charged to the customer.

11. The illustration of all costs, including any contingent or default costs and expenses, must be explicit and clear and provided in a manner that can be understood by the customer.
12. Members must provide illustrative examples of the costs to the customer, including any contingent or default costs, in INR format specific to the financial service or product offered, so that the customer understands all such costs.
13. Members must provide a repayment schedule with detailed repayment information and due dates in a clear manner.[8] The Member must provide timely information about loan payments due and outstanding loan amounts in a format that the customer clearly understands.
14. Members must inform the borrowers of such look-up period offered to customers in accordance with clause 5 (*Look up period*) of Part B (*Responsible Lending*) of this Section IV to repay the digital loan on their websites/ digital lending applications at the time of execution of the loan contract/transactions.
15. Members must provide a link on their website/ digital lending application to direct customers to a webpage of the RE containing detailed information surrounding the financial products – namely about the loan products, the lender, the lending service provider, particulars of customer care, link to the RBI’s Sachet portal, privacy policies, etc.

B. Responsible Lending

1. The onus is always on the Member to make fair income and affordability assessments of customers and ensure that financial products and services, including the loan and all charges and fees, are not in excess of a customer’s capacity to pay.
2. Members must capture an economic profile of each borrower (covering age, occupation, income, etc., or any other borrower data collected which has a direct and tangible link with the economic profiling of the borrower), enabling credit decision-making by the REs, before extending any loan to any borrower to assess the borrower’s creditworthiness. Members must ensure that the credit decision-making rationale is auditable and the data collected is subject to the conditions contained in Part D (*Data Security and Privacy*) of this Section IV below.
3. Members cannot increase their credit limit automatically. An explicit consent of the borrower must be taken on record for each such increase in the credit limits.
4. Members will not design pricing models that could ever be considered “predatory” or “usurious”, including but not limited to:
 - (a) any element of deception in the presentation of costs or fees;
 - (b) cost or fee structures that are needlessly confusing, complex, and designed to extract maximum revenue without consideration of customer understanding.
5. *Look up period*:
 - (a) Members must (in accordance with the timelines decided by the board of directors of their associated REs) give the borrowers an exit opportunity – to exit the digital lending product availed by paying the principal amount and the proportionate annual percentage rate (without any penalty);

- (b) Such look-up period provided by each Member must not be less than 3 (three) days for a loan of tenor exceeding than 7 (seven) days and not be less than 1 (one) day otherwise if the loan is of tenor less than 7 (seven) days;
 - (c) Members must inform the borrowers of such look-up period to repay the digital loan on their websites/ digital lending applications at the time of execution of the loan contract/transactions; and
 - (d) In any case, the Members must allow prepayment of the digital loans even beyond the look-up period as per extant RBI guidelines.[9]
6. Members must clearly mention an annual percentage rate in its key fact statement which includes and lists all costs and fees arising from the financial product or service offered, including all upfront fees, processing fees, interest costs, insurance costs, registration fees, provisions, re-arrangement fees, late fees, pre-payment fees or penalties and any other costs charged to the customer.
 7. Members must provide clear information related to the amount and mechanism of imposing fines in the event of a delay. Such information should be disclosed upfront to the customer in the key fact statement. A Member cannot impose on the customers any fines, charges, costs, etc. which are not disclosed in the key fact statement.
 8. Members must ensure that the late payment penalties levied are reasonable and transparent, non-compounding, and must be levied only on the remaining outstanding value of the loan, in accordance with the policies of the Member framed in this regard.
 9. Members must have a system and process of verification and assessment of the financial condition of the customer to assess the eligibility and suitability for the loan or other financial product offered.
 10. Members must have a system to ensure the accuracy of the data and information provided by a customer.

C. Fair Interactions

1. Members shall either perform the recovery function in-house or engage an accredited recovery agent [10].
2. Members must ensure that borrowers are not unfairly discriminated against on grounds such as religion, caste, gender, marital status, sexual orientation, etc.
3. Members must ensure that there is no undue harassment or intimidation (physical or verbal) of customers, including practices such as calling (or threatening to call) any family member of the customer or any person associated with the customer sending inappropriate messages either on mobile or through social media, making threatening and/ or anonymous calls, etc. The Members must ensure that there is no coercion in the recovery process.
4. Members must ensure that its staff, agents, and representatives are adequately trained to deal with the customers in an appropriate manner and are not rude or humiliating in their dealings with the customer. Members must ensure compliance with the extant RBI guidelines.[11]
5. Members must ensure that its staff, agents, and representatives use respectful language, maintain decorum, and show respect to social and cultural sensitivities. Further, its staff,

agents, and representatives must not contact borrowers at odd hours or at inappropriate times such as bereavement, illness, or social occasions such as marriages and births.

6. Members must ensure that their staff, agents, and representatives contact their borrowers only during normal hours (between 8:00 a.m. and 7:00 p.m.) for recovery of overdue loans.
7. Members must ensure that the recovery agent contacts the customer for recovery only after the associated RE has at the time of sanctioning the loan and at the time of allocating the recovery responsibilities, shared the name and details of such Member/ the recovery agent with the customers.

D. Data Security and Privacy

1. Members must have a board-approved comprehensive data privacy policy compliant with applicable laws, associated regulations, and RBI guidelines disseminated publicly on its website / digital lending application and further, at every stage where consent of the borrower is taken to access the data of the customer. Such privacy policy must *inter alia* clearly outline the type of data that can be stored, the length of time for which data can be stored, restrictions on the use of data, data destruction protocol, standards for handling security breaches, and the details of third parties (if any) who are allowed to collect personal information of the customers through the digital lending application of such Member.
2. Members must follow a consent-based architecture for data capture with informed consent provided by the customer following a detailed explanation of the data being captured and used (including sharing of such data with third parties). The Member shall preserve such digital records of customer consent(s) as proof of informed consent.
3. Members are required to practice good faith in the collection, storage, use, and sharing of personal data of customers.

Without limiting the generality of the above, Members shall not:

- (a) intentionally request personal data from a customer even though there is no service that can be provided to a customer;
- (b) intentionally collect personal data that is not relevant to the services that will be provided to the customer by the Member;
- (c) collect personal data outside the data that has been agreed to be given by the customer;
- (d) use personal data for purposes that have not been notified or purposes that are different from what was previously notified to the customer;
- (e) collect and store customer's personal data even though the Member or any person authorized by the Member to collect, process or store such personal data does not yet have a reliable system or processes to carry out such activities or protect such data;
- (f) sell personal data of customers to third parties without explicit consent from the customer;
- (g) share such personal data with third parties other than for purposes consented to by the customer or where it is required under applicable law;

- (h) use a customer's contact list for contacting any third parties, family members of the customer, or persons associated with the customer for any communication related to the customer's loan;
 - (i) use the personal data in any manner which is likely to cause physical harm or injury to any customer, their family member, or any person associated with the customer.
4. Members may access, store, and utilize the personal information of the borrower provided that:
- (a) the Member can justify that a certain data set is needed in connection with its operations or to perform a certain function for and on behalf of an RE partner (under an agreement);
 - (b) the Member is able to demonstrate a tangible and direct link between the borrower data collected and the economic profiling of the borrower enabling credit decision-making by the RE. Such credit decision-making rationale must be auditable.
 - (c) the data is collected with the explicit consent of the borrower. Such borrower consents must be recorded by the Member in a manner that is auditable;
 - (d) the user interface of the digital lending application of a member must not facilitate 'umbrella consent' or 'consent fatigue'. Instead, the Member must obtain informed consent of the borrowers whereby the borrower is clearly made aware of the data points that will be accessed. The Member must obtain upfront consent of its customers for the collection, storage, utilization, and sharing of any borrower information.
 - (e) Members must not obtain over-arching access to a borrower's mobile phone resources like files and media, contact list, call logs, or telephony functions. Any such access must be strictly need-based and related to the products or services proposed to be provided to the customers.
 - (f) the purpose of the collection of data and taking the consent of the borrower is clearly disclosed by the Member to the borrower at each stage.
 - (g) the borrower is given the option to both give and deny consent for the use of specific data, restrict disclosure of such data to third parties by Member, revoke previously granted consent to access personal data, limit the time period for which such data can be stored by the Member and require the Member to delete the data collected from the borrower.
 - (h) the data collected is only processed and used for the limited purpose disclosed to the borrower.
 - (i) Only minimal customer data that is personal in nature is stored by the Member, which is critical for the Member to carry out its operations and functions as required by the RE under the terms of the partnership arrangement.
 - (j) the data is collected and stored by the Member only in the capacity of a lender service provider/ digital lending application, for associated RE, and not in any other capacity (such as for the purpose of providing value-added services to borrowers, which services are not directly linked to digital lending);

- (k) the Member shall not store any biometric information of any customer, other than as permitted under extant statutory guidelines.
- (l) all data collected by the Member is stored only on servers located in India.
- (m) the technology deployed by the Member complies with the technology standards/ requirements on cybersecurity stipulated by the RBI and other agencies, for undertaking digital lending; and
- (n) Members may, in the capacity of the agent of the customer, seek the credit information of the customer from the credit information companies, by providing the satisfactory identification along with the consent of the customer to obtain such information on the customer's behalf.

E. Customer Grievance Redressal

1. Each Member should have a board-approved policy for addressing customer complaints in a fair, and prompt manner covering the process to register, resolve and escalate the complaints, internal and external escalation mechanism, turnaround time, complaint categories, review/audit of redressal system, and reporting to the board and top management. Each Member shall put into place an efficient mechanism for the implementation of such customer complaint policy and for the resolution of customer complaints in compliance with the contractual and statutory rights of the customer.
2. Each Member must appoint a suitable nodal grievance redressal officer to oversee the customer grievance redressal function. Every Member must prominently display the contact details of such nodal grievance redressal officer on their website, the website of the RE/ the lending service provider, the digital lending application, and in the key fact statement.
3. Each Member shall provide to customers, including by publishing on its website, details of how the customer can contact customer service / concerned compliance officer at the Member or seek redressal of customer complaints. Each Member should also provide details of how customers can contact the REs, which are involved in providing the relevant financial product or services to the customer.
4. Each Member must also publicize the following details of the customer grievance redressal mechanism set up by DLAI:
 - a) DLAI's email ID for customer grievances: cgrm@dlai.in
5. Member should also provide details of the right of the customers to raise complaints in consumer forums, under the Reserve Bank-Integrated Ombudsman Scheme ("RBI Ombudsman"), etc. and guidance on how the customer can approach such authorities.
6. Members must have a mechanism as part of their grievance redressal framework for the redressal of recovery-related grievances, the details of which must be provided to the borrower in the key fact statement. It shall be sufficient compliance if the Member can re-structure/re-organize its existing redressal system to identify and promptly address recovery-related grievances.
7. Members must record and analyse individual and aggregate level data for the grievance redressal system capturing the nature of complaints, action taken, and turn-around time.

Report on grievances received, resolved, and pending along with the nature of complaints should be reported quarterly to DLAI and must be placed before the board of directors of the Member for review, from time to time.

F. Employee Training

1. The Members must give comprehensive induction training to the employees on policies, processes, and regulations. Emphasis should be given to Code of Conduct-related aspects on borrower-interface aspects such as fair treatment, the privacy of data, service quality, customer grievance redressal system, POSH, relationship management, dealing with difficulty in repayment, etc.
2. The Members must regularly assess employees' understanding of the above elements and conduct refresher training to address the gaps in understanding.
3. The Members must train their employees on understanding and dealing with gender issues including appropriate interaction with women colleagues and customers.
4. The Members must necessarily orient their employees on professional conduct and integrity issues including expected behaviour and not indulging in any unlawful and anti-social activities.
5. The Members must engage new employees in the business operations only after completion of their induction training.
6. The Members must ensure that employees directly responsible for the grievance redressal system receive detailed training about the system, processes, and soft skills required for resolving complaints.
7. The Members must set targets for the recovery agents based on a reasonable object criterion including an understanding of the repayment capacity of the customer.
8. The Members must ensure that the compensation matrix for the recovery staff should not solely be dependent on the quantum of recovery by an individual, and rather, it must be designed in a manner to align their behavior with fair interaction practices as mentioned in Part C (*Fair Interaction*) of this Section IV of this Code of Conduct.

G. Customer Awareness

1. Each Member must take measures to ensure that borrowers fully understand the products, process, and terms of the contract. Such measures must be provided to the borrowers free of cost.
2. Each Member must provide a receipt/acknowledgement for every payment, including the digital payments, received from the borrower.
3. Each Member must give emphasis to educating customers on the importance of timely repayment for good credit history with the Credit Information Comps, benefits, risks, and necessary safeguards of digital financial transactions and grievance redressal mechanism including internal and external escalation mechanism.[12]

H. Governance and Enforcement

1. Obligation to adhere to all applicable regulations in letter and spirit.
2. Each Member will comply with all provisions of all applicable laws and regulations, including, but not limited to:
 - a) Applicable laws and regulations concerning financial services and consumer protection, including without limitation all directions, guidelines, circulars, and notifications issued by the Reserve Bank of India and other relevant statutory, regulatory, or government bodies;
 - b) Applicable laws and regulations in the field of communication and informatics related to the protection of personal data in electronic systems;
 - c) Any other applicable law and regulations relating to business, operations, and practices of such Member.
3. All provisions in this Code of Conduct are complementary and in addition to the obligations of each Member under laws and regulations applicable to the Member. Each Member is individually and solely responsible for its compliance with applicable laws, regulations, and this Code of Conduct.
4. Obligation to adhere to this Code of Conduct
 - a) At the time of availing membership with the DLAI, the Members must affirm in writing, backed by a board resolution of the company, to adhere to the Code of Conduct.[13]
 - b) Provided that existing Members will pass such board resolution affirming adoption of the Code of Conduct within [1 (one) month from the Effective Date] for continuation of their membership.
 - c) (b) Each Member will nominate a designated compliance officer from within their organisation, who will be the point of contact for all correspondences (including reporting) with the DLAI (“Designated Compliance Officer”). The name and correspondence details of the Designated Compliance Officer must be intimated to the DLAI immediately upon nomination, and in any case, not later than 3 (three) days.
 - d) Each member shall follow advisories/Directives any other communication of sectoral importance, issued time to time by DLAI,
 - e) Each member institution shall share with DLAI the data and information requested time to time for sectoral publications, research and/or as may be required by any Government agency/Law.
 - f) (c) The Designated Compliance Officer must ensure that this Code of Conduct (as updated from time to time) is disseminated within the organization of the Member after any update to the Code of Conduct, and in any case, within a period not exceeding 1 (one) year.
5. Reporting
 - a) Ad-hoc:
 - i. In the event of any non-adherence by a Member of the Code of Conduct or any applicable law, such Member may voluntarily self-report such non-compliance

to the DLAI (SRO) secretariat immediately and in any case within 7 (seven) days of such non-adherence.

- ii. In the event of the occurrence of any cyber security incidents affecting any Member, such Member must (and in any case within 6 (six) hours of noticing such incidents or being brought to notice about such incidents) report such incidents to Cert-In [14] and to the DLAI (SRO) Secretariat.

b) Quarterly:

- i. Each Member must record and analyze individual and aggregate level data for a grievance redressal system capturing the nature of complaints, action taken, and turn-around time. Report on grievances received, resolved, and pending along with the nature of complaints should be reported on a quarterly basis to the DLAI., within 15 (fifteen) days from the end of each quarter.[15]

c) Annually:

- i. Each Member must submit an annual confirmation to the DLAI (SRO) Secretariat, in writing, on its compliance with the Code of Conduct, in such form as the DLAI (SRO) may require from time to time (“Annual Submission”). The Annual Submission will include a certification by a director, company secretary, or other key managerial personnel of the Member that it is in compliance with the Code of Conduct, the Digital Lending Guidelines, and other applicable laws/regulations. The Annual Submission will be required from each Member in order to continue its membership and participation in DLAI activities.

6. Dispute Resolution

a) Consultation:

- i. In case of any dispute inter se Members with regards to elements mentioned in DLAI’s Industry COC, the Members hereby agree to first afford adequate opportunity for consultation regarding any representations made by another Member.
- ii. If a request for consultation is made, the Member to which the request is made shall, unless otherwise mutually agreed, reply to the request within 10 (ten) working days after the date of its receipt and shall enter into consultations in good faith within a period of no more than 30 (thirty) days after the date of receipt of the request, with a view to reaching a mutually satisfactory solution.
- iii. If the Member does not respond within 10 (ten) working days after the date of receipt of the request or does not enter into consultations within a period of no more than 30 (thirty) days, or a period otherwise mutually agreed, after the date of receipt of the request, then the Member that requested the holding of consultations may proceed directly to request the Enforcement Committee to decide such matters.
- iv. Consultations shall be confidential, and without prejudice to the rights of any Member in any further proceedings.

b) Arbitration:

- i. If: (A) the consultations fail to settle a dispute within 60 (sixty) days after the date of receipt of the request for consultations and the Members agree that the dispute be settled by arbitration, or (B) if the contractual arrangements governing the relationship between the parties provides for arbitration, the Members may request the disputes be referred to arbitration.
 - ii. The dispute may be referred to arbitration under the Arbitration and Conciliation Act, 1996, as may be amended from time to time, or any re-enactment thereof, of an [sole] arbitrator to be mutually appointed by the Members, or as mutually agreed between the Members
 - iii. If the Members fail to agree upon the name of an arbitrator, within 30 (thirty) days from the date of the notice invoking arbitration, then the arbitrator shall be appointed in accordance with the Arbitration and Conciliation Act, 1996.
 - iv. The seat of arbitration shall be at Delhi in the English language, or as mutually agreed between the Members.
 - v. The arbitration award shall be final and binding on the Members, and enforceable in accordance with its terms. The arbitrator shall state reasons for their findings in writing. The Members agree to be bound thereby and to act accordingly.
 - vi. The arbitrator shall be a person of professional repute who is not directly or indirectly connected with any of the disputing Members and shall have prior experience as an arbitrator.
 - vii. All costs, expenses, charges, and fees paid or incurred in relation to the arbitration proceedings in terms of this Agreement shall be borne by a Member as per the award passed by the arbitrator, or as mutually agreed between the Members.
- c) Enforcement Committee:
 - i. If the consultations fail to settle a dispute within 60 (sixty) days after the date of receipt of the request for consultations and the Members do not mutually agree to settle the dispute by arbitration, the dispute will be decided by the Enforcement Committee. The Enforcement Committee will notify a fair procedure for the settlement of disputes inter se Members.
 - ii. If any Member is aggrieved by the decision of the Enforcement Committee, an appeal may be filed before the SRO Committee which must act in consultation with the Board. The SRO Committee will notify the timelines for filing such appeals and a fair procedure for settlement of disputes inter se Members. The decision of the SRO Committee shall be final and binding on the Members.

7. Sanctions

- a) The DLAI (SRO) will monitor compliance with the Code of Conduct by Members. Additionally, an anonymous peer complaints system whereby Members can bring forth instances of non-adherence (details to be submitted with evidence to DLAI) with the Code of Conduct or applicable law by other Members to the notice of the DLAI.[16]

- b) The Enforcement Committee will notify a fair procedure for the admission of complaints against any Member for the violation of the Code of Conduct, investigation, and determination of a violation of the Code of Conduct, and the decision on an application of Sanctions against the non-compliant Member after giving reasonable opportunity to such Member to make representations in such a process.
 - c) Any decision taken by the Enforcement Committee on non-compliance with the Code of Conduct will be binding on the relevant Member and will be subject to appeal to the SRO Committee. The decision of the SRO Committee will be final.
 - d) The Enforcement Committee will be entitled to take the following actions for non-compliance by a Member with the Code of Conduct or other applicable law, after providing an opportunity of hearing to such Member(s) (“Sanctions”) and allowed to rectify the non-compliance with a warning letter, if noncompliance still persists:
 - i. cancellation of its membership with DLAI.
 - ii. bar the non-compliant Member from future membership of DLAI participating in its events, and/or from forming part of the Board or any of the committees of the DLAI for such a period of time as the Enforcement Committee may deem fit.
 - iii. notify all other Members of the abeyance of the membership and debarment of the non-compliant Member, and to also publish the fact of such abeyance and debarment in a ‘grey list of non-compliant digital lending entities’ maintained by DLAI in its records which may or may not be publicly available. The placement of the Member in the grey list will be seen as having an adverse impact on the reputation of such removed Members and customers will be encourage not to undertake financial products from such non-compliant Members placed in the grey list.
 - e) Upon receiving a formal request from an entity placed in the grey list, such grey list will be reviewed periodically by the Enforcement Committee of DLAI and those entities which are in the list, if demonstrate compliance to the satisfaction of EC & SROC, may be removed from the list after three months, with the approval of SRO Committee on case-to-case basis.
8. Provided that the DLAI (SRO) secretariat shall monitor the status of non-compliance of every Member placed on such grey list. May make an application every 1 (one) month.
- a) report any serious violation of the Code of Conduct to the appropriate authorities, including the RBI;
 - b) Issue warning letter(s) on a Member in case such non-adherence by a Member has severe detrimental implications for customer protection measures and the industry; and
 - c) such other directions as the SRO Committee upon recommendation of the Enforcement Committee may consider fit for ensuring compliance with the Code of Conduct, including obtaining a binding commitment from the Member to take necessary remedial steps for compliance with the Code of Conduct.

- d) Within [21 (twenty-one) days] of receipt of the decision of the Enforcement Committee, the managing director of the Member has two options, either s/he is required to duly acknowledge the Enforcement Committee action with a commitment letter that the institution may take corrective steps to ensure that such non-compliance does not repeat in future except for reasons beyond human control like sudden technology malfunction/failure, the act of god, etc. .Or s/he may appeal to SRO Committee whose decision will be final and binding. Evidence of corrective action, wherever necessary, must be taken from the Member.
9. Provided that the Sanctions above may be vacated by the Enforcement Committee if within [21 (twenty-one) days] of receipt of the decision of the Enforcement Committee, the non-adherence, and its consequences are, in the opinion of the Enforcement Committee, remedied pursuant to such corrective action.
- a) If no response is received from the managing director of the Member within [21 (twenty-one) days] of receipt of the decision of the Enforcement Committee, the matter must be reported to the SRO Committee for further action which may include reporting to RBI by the DLAI (SRO).
 - b) The Enforcement Committee shall consider the following parameters in its decision:
 - i. the regulatory and industry standards violated.
 - ii. the impact on customer protection.
 - iii. the systemic impact of such violation on the industry.
 - iv. the nature of the violation (procedural/policy, severity, magnitude, first-time/repeat);
 - v. the response of the Member, including whether the Member self-reported such non-compliance;
 - vi. age and size of the Member and duration of membership with DLAI to determine if the lapse is due to limited capacities and resources; and
 - vii. any other factor that the Enforcement Committee considers relevant.
10. Appeal
- a) If the Member is aggrieved by the decision of the Enforcement Committee, an appeal may be filed before the SRO Committee, which must act in consultation with the Board, against the decision of the Enforcement Committee in writing and within [21 (twenty-one) days] from the date of receipt of the communication from the DLAI (SRO) regarding the decision of the Enforcement Committee.
 - b) If no appeal is filed within the above period, the order of the Enforcement Committee shall attain finality.
 - c) The decision of the SRO Committee taken in appeal will be final and binding on the Member. The SRO Committee must take into account the factors mention in sub-clause (g) of clause 5 (Sanctions) above in its decision.

ANNEXURE A

Standard Form Agreement

[To be drafted basis inputs from industry players and will be communicated separately]
[●]

ANNEXURE B

Responsible Advertising and Marketing Standards

[To be drafted basis inputs from industry players and will be communicated separately]
[●]

ANNEXURE C

Part A: Format of the Key Fact Statement

[to be provided in a language understood by the borrower]

Date: [●]

Name of the Member: [●]

Name of the RE: [●]

Applicant Name: [●]

S. No.	Parameter	Details
(i)	Loan amount (amount disbursed/to be disbursed to the borrower) (in Rupees)	INR [●]
(ii)	Total interest charge during the entire tenor of the loan (in Rupees)	INR [●]

(iii)	Other up-front charges, if any (break-up of each component to be given below) (in Rupees)	INR [●]
(a)	Processing fees, if any (in Rupees)	INR [●]
(b)	Insurance charges, if any (in Rupees)	INR [●]
(c)	Others (if any) (in Rupees) (details to be provided)	INR [●]
(iv)	Net disbursed amount ((i)-(iii)) (in Rupees)	INR [●]
(v)	Total amount to be paid by the borrower (sum of (i), (ii), and (iii)) (in Rupees)	INR [●]
(vi)	Annual Percentage Rate - Effective annualized interest rate (in percentage) (computed on net disbursed amount using IRR approach and reducing balance method)	[●]%
(vii)	The tenor of the Loan (in months/days)	[●] Months/ Days
(viii)	Repayment frequency by the borrower	Annually/ Monthly, etc.
(ix)	Number of instalments of repayment	
(x)	Amount of each instalment of repayment (in Rupees)	INR [●]
Details about Contingent Charges		
(xi)	Rate of annualized penal charges in case of delayed payments (if any)	[●]%

(xii)	Rate of annualized other penal charges (if any); (details to be provided)	[●]%
Other disclosures		
(xiii)	Cooling off/look-up period during which borrower shall not be charged any penalty on prepayment of the loan	[●]
(xiv)	Details of LSP acting as recovery agent and authorized to approach the borrower	[●]
(xv)	Name, designation, address, and phone number of nodal grievance redressal officer designated specifically to deal with FinTech/digital lending-related complaints/ issues	[●]

Part B: Format of the Detailed Repayment Schedule

Instalment No.	Outstanding Principal (in Rupees)	Principal (in Rupees)	Interest (in Rupees)	Instalment (in Rupees)	Date of Payment of Instalment
[●]	[●]	[●]	[●]	[●]	[●]

ANNEXURE D

Technological Standards

[To be drafted basis inputs from industry players and will be communicated separately]
[●]

ANNEXURE E

Part A: Suggested Format of Board Resolution

[on the letterhead of the Company]

A certified true copy of the resolution passed at the meeting of the board of directors (the “Board”) of [name of the Company] (the “Company”) held on [date] at [place]

Adoption of the DLAI’s Code of Conduct for Responsible Digital Lending

“RESOLVED THAT in accordance with the memorandum of association and the articles of association of the Company and pursuant to the provisions of all applicable laws, the consent of the Board be and is hereby accorded to the Company to undertake membership with the Digital Lenders’ Association of India.”

“RESOLVED FURTHER THAT the consent of the Board be and is hereby accorded to the Company to adopt and adhere with the Digital Lenders’ Association of India’s Code of Conduct for Responsible Digital Lending (“**Code of Conduct**”).”

“RESOLVED FURTHER THAT the consent of the Board be and is hereby accorded for the Company to voluntarily submit to the governance and enforcement framework contained in the Code of Conduct.”

“RESOLVED FURTHER THAT [●], be and is authorised to act as the Designated Compliance Officer to liaison with the Digital Lenders’ Association of India and to do all such acts, deeds, and things as may be required to give effect to the resolutions herein contained.”

Certified True Copy

For [name of the Company]

[signature]

[name]

[chairperson of the Board]

Part B: Suggested Format for the Written Confirmation

[on the letterhead of the Company]

Date: [●]

To,

The Digital Lenders' Association of India

[●]

Subject: To confirm adherence to the Digital Lenders' Association of India's Code of Conduct for Responsible Digital Lending.

That the Company is a company under the Companies Act, [●], validly existing under the Companies Act, [●] with corporate identification number [●], with its registered office at [●] and is engaged inter alia in the business of providing digital lending products and services to customers.

The Company is desirous of [obtaining membership / renewing its existing membership] with DLAI. In relation to the digital lending business of the Company, as defined under the Reserve Bank of India's Guidelines on Digital Lending dated September 02, 2022, we hereby confirm and declare that:

1. the Company will adopt and adhere with the Digital Lenders' Association of India's Code of Conduct for Responsible Digital Lending (“**Code of Conduct**”) in both letter and spirit;
2. the Company will align its policies and processes to adhere with the Code of Conduct;
3. will comply with the reporting requirements and make timely disclosures as required under the Code of Conduct;
4. the Company will incorporate a professional governance system to ensure that employees and persons acting on their behalf are oriented and trained to follow the Code of Conduct in practice; and
5. the Company has appointed a designated compliance officer, who will be the Company's point of contact and coordinate with the DLAI for issues in relation to the Code of Conduct. The correspondence details of the designated compliance officer of the Company are as follows:

(a) Name:

(b) Designation:

(c) Email:



(d) Phone:

(e) Address:

6. the Company has also appointed a nodal grievance officer to deal with digital lending-related complaints/ issues raised by the customers. The correspondence details of the nodal grievance officer of the Company are as follows:

(a) Name:

(b) Designation:

(c) Email:

(d) Phone:

(e) Address:

7. the Company will periodically report to the Board on the status of compliance with the Code of Conduct.

8. the Company will support and provide consent for generating adherence reports at a decided frequency. The Company also agrees to submit and provide data for third-party evaluations to be conducted by the DLAI.

Yours sincerely,

[signature]

[name]

[authorised representative of the Company]

ANNEXURE F

Quarterly Reporting on Customer Grievances

1. Total number of grievances received by the Member in the Q [●] of FY [●]:

2. Total number of grievances remaining outstanding with the Member:

3. Complaint categorisation followed by the Member:

[Member to please provide granular categorisation of complaints that it undertakes. Please note that information queries/ clarifications sought by the customer must constitute a separate sub-category. Similarly, recovery-related grievances must constitute a separate sub-category.]

4. Name and level of the customer grievance redressal mechanism adopted by the Member:

[Member to please provide the name, levels of the customer grievance redressal mechanism adopted by the Members, and internal escalation mechanisms. Please mention the grounds on which a complaint can be escalated to a higher level, monetary thresholds, etc.]

5. Category-wise details of grievances received by the Member:

S. No.	Category	Current Quarter					
		No. of grievances received in the current quarter.	No. of grievances received in the current quarter which are still pending resolution.	The average time taken for resolution of each category (resolved within the quarter)	Postulated turn-around time in the customer grievance redressal policy.	Actual average turn-around time for each category.	Average feedback rating given by customers. (On a scale of 1-10 where 1 being the lowest and 10 being the highest)
1.	[●]	[●]	[●]	[●]	[●]	[●]	[●]

S. No	Category	Total Grievances						
		No. of grievances which are still pending resolution.	Percentage of grievances resolved. (Total resolved/total received *100%)	Postulated resolution time in the customer grievance redressal policy.	Actual average resolution time for each category.	Postulated turn-around time in the customer grievance redressal policy.	Actual average turn-around time for each category.	Average feedback rating given by customers. (On a scale of 1-10 where 1 being the lowest and 10 being the highest)
1.	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]

6. Escalation-wise details of grievances received by the Member:

Level	Name	Current Quarter

		No. of grievances received escalated to each level in the current quarter.	Percentage of the grievance resolved at each level. (Grievances resolved at such level within the current quarter/ total grievances resolved within the current quarter * 100%)	No. of grievances received/ escalated to each level (in the current quarter) which are still pending resolution.	The average time taken for resolution of grievances at each level (resolved within the quarter)	Actual average turn-around time for each level.	Average feedback rating given by customers to each level. (On a scale of 1-10 where 1 being the lowest and 10 being the highest)
1.	[•]	[•]	[•]	[•]	[•]	[•]	[•]

Level	Name	Total Grievances

		No. of grievances received escalated to such level still pending resolution.	Percentage of the grievance resolved at each level. (Total grievances resolved at such level/ total grievances resolved * 100%)	No. of grievances received/ escalated to each level which are still pending resolution.	The average time taken for resolution of grievances at each level.	Actual average turn-around time for each level.	Average feedback rating given by customers to each level. (On a scale of 1-10 where 1 being the lowest and 10 being the highest)
1.	[•]	[•]	[•]	[•]	[•]	[•]	[•]

End Notes

[1] A standard form of the agreement between the REs and the lending service provider/ the digital lending applications is set out in Annexure A (*Standard Form Agreements*). **[Standard form agreements are to be drafted basis inputs from industry players and will be communicated separately]**

[2] REs includes all commercial banks; primary (urban) co-operative banks, state co-operative banks, district central co-operative banks; and non-banking financial companies (including housing finance companies).

[3] A ‘Lending Service Provider’ is an agent of a RE who carries out one or more of the lender’s functions or part thereof in customer acquisition, underwriting support, pricing support, servicing, monitoring, and recovery of specific loan or loan portfolio on behalf of REs in conformity with extant outsourcing guidelines issued by the RBI.

[4] A ‘Digital Lending Application’ is a mobile and web-based applications with a user interface that facilitates digital lending services. DLAs will include applications of the REs as well as those operated by lending service providers engaged by REs.

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

[6] The 'Responsible advertising and marketing standards' binding on the Members is set out in Annexure B (*Responsible Advertising and Marketing Standards*). [**Responsible advertising and marketing standards are to be drafted basis inputs from industry players and will be communicated separately**]

[7] The standardized format of the key fact statement is prescribed in Part A of Annexure C.

[8] The standardized format of the detailed repayment schedule is prescribed in Part B of Annexure C.

[9] In terms of Circular DBR.Dir.BC.No.08/13.03.00/2019-20 for banks and DNBR (PD) CC.No.101/03.10.001/2019-20 for NBFCs on "Levy of Foreclosure Charges /Pre-payment Penalty on Floating Rate Term Loans", both dated August 02, 2019.

[10] Members must only appoint external recovery agents in accordance to the Circular DOR.ORG.REC.65/21.04.158/2022-23 on 'Outsourcing of Financial Services - Responsibilities of regulated entities employing Recovery Agents' dated August 12, 2022, and other relevant instructions as issued from time to time.

[12] External escalation mechanism must include regulatory channels available to customers to escalate including the RBI Ombudsman where applicable.

[13] An indicative format for the board resolution and the affirmation to comply with the Code of Conduct is provided as Annexure E.

[14] Reporting of such cyber security incidents to the Indian Computer Emergency Response Team ("Cert-In") under the Ministry of Electronics and Information Technology Reporting may be done via email (incident@cert-in.org.in), Phone (1800-11-4949) and Fax (1800-11-6969).

[15] A standardized format for the quarterly reporting on grievance redressal is provided as Annexure F (*Quarterly Reporting on Customer Grievances*).

[16] Members of DLAI can highlight non-compliance by other Members via email [sro@dlai.in]. Any such peer reporting would be anonymous, and the name of the complainant will not be, in any case, disclosed to the non-compliant Member.





dlai

www.dlai.in

Any questions regarding this code of conduct can be sent to sro@dlai.in

