

## **Reserve Bank of India (Digital Lending) Directions, 2025 – Digital lending gets a regulatory overhaul mandating app directory & loan transparency**

### **Crux:**

The Reserve Bank of India (“RBI”) has issued a new framework mandating the Regulated Entities (“REs”) to submit details of their Digital Lending Apps (“DLA”) through RBI’s Centralised Information Management System (CIMS) portal. The RBI clarified that the public directory is intended solely to help consumers verify whether a particular DLA is legitimately associated with a regulated lender.

### **Key Takeaways:**

The Reserve Bank of India (RBI) vide its **Notification RBI/2025-26/36 DOR.STR.REC.19/21.07.001/2025-26 dated May 8, 2025**, titled “**Reserve Bank of India (Digital Lending) Directions, 2025**”, has consolidated and updated guidelines to address growing concerns in the digital lending sector. These directions aim to mitigate risks related to third-party involvement, mis-selling, data misuse, unfair practices, excessive charges, and unethical recovery methods.

These Directions apply to regulated entities and their arrangements with Lending Service Providers (LSPs), especially in multi-lender models.

The key provisions include due diligence on LSPs, clear disclosures to borrowers, structured grievance redressal, mandatory creditworthiness assessments, and rules around loan disbursement and repayment.

The guidelines also enforce data protection through restrictions on collection, sharing, and storage, requiring a comprehensive privacy policy and adherence to prescribed technology standards.

The Directions introduce reporting norms for digital lending apps (DLAs) and mandate disclosures and controls around default loss guarantee (DLG) arrangements. These include eligibility, structural requirements, caps, and recognition of non-performing assets.

Some provisions take immediate effect, while para 6 (multi-lender arrangements) and para 17 (DLA directory) come into force on November 1, 2025, and June 15, 2025, respectively. Additionally, card issuers are required to provide full transparency on EMI conversions, ensuring all cost components are clearly communicated.

### **Critique:**

As per the introduction of the new requirements, the Lending Service Providers (LSPs) who partner with multiple REs must disclose all eligible loan offers to borrowers, enabling them to choose the best option; and the RBI maintaining a public directory of digital lending apps, will help curb unauthorised and fraudulent applications.

Thus, the RBI's move can be seen as a progressive shift towards a more ethical and transparent credit landscape, as the introduction of more structure and transparency into the lending space, particularly around loan aggregation, lender service provider accountability, and legitimacy of apps, will help nurture deeper trust from consumers and create a level playing field for serious, compliant players. Moreover, fintech lenders who adapt swiftly to this compliance-driven ecosystem will not just survive, but lead in creating inclusive and responsible digital credit for India.

**Link**

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/36NT8C402BE7C2A349E0BFFF3C526668CD7A.PDF>