

# Stick to RBI-registered apps for digital loans

Do not allow the lending app access to your contacts or photo gallery

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Illegal loan apps owned by Chinese entities, and hence popularly known as Chinese loan apps, are currently under the Reserve Bank of India (RBI) and the Government of India's scanner. In January-February this year, an RBI working group had found that about 600 of the 1,100 apps hosted on various stores were illegal. To deal with this menace, the RBI recently decided to prepare a white list of legal apps. The Ministry of Electronics & Information Technology will then ensure that only these white-list apps are available on app stores.

These illegal loan apps lure potential victims with the promise of easy loans. They then charge high interest rates, high processing fees, and sometimes other hidden charges. Borrowers who fail to repay their dues on time face huge penalties and also harassment. Some of these apps even steal contacts and other details from borrowers' phones, which they then use to blackmail borrowers.

## Check for authenticity

Before availing a loan from a digital lending entity, check its genuineness. "First check whether the loan app is registered with the RBI. If it does not have a registered, secure website and a physical address, chances are that it is a fraudulent app," says Pinakin Dave, country manager-India and SAARC, OneSpan. Be wary if the app seeks personal data. "Be warned if, after you have downloaded the loan app, it asks for permission to access your contacts and photo gallery," says Sugandh Saxena, chief executive officer (CEO), Fintech Association for Consumer Empowerment (FACE).

## KEY CHECKS YOU SHOULD RUN BEFORE TAKING A LOAN



■ **Stick to apps that do KYC and ask for proof of income**

■ **The sanction letter given by the app should contain the name of the bank or lender at the back**

■ **It should also mention the loan amount, the rate of interest, and the processing fee**

■ **Go through the loan agreement provided by the digital lender before taking the loan**

■ **Make sure that you receive direct communication from the bank/NBFC (to avoid chances of names being misused)**

## The easy loan trap

Fraudulent loan apps try to tempt borrowers by asking for very few documents, which makes them attractive to those looking for a quick loan. "Avoid a loan from an app that doesn't ask for documents to verify your credentials. Also, genuine lenders will look into your payment history and credit score to determine your repayment capability, and also to decide the interest rate they should charge. If a loan app doesn't ask for your credit history, it could be a

fraudulent entity," says V Swaminathan, executive chairman, Andromeda Loans and Apnaipaisa.com.

Saxena adds that borrowers should also be careful if the app promises too-quick disbursal, and doesn't provide adequate information on the terms of the loan, such as interest rate, repayment schedule, etc.

Borrowers should also steer clear of apps that ask for advance payments. "Legitimate apps will never do that," says Dave.

## A few precautionary measures

Before downloading an app, check its antecedents. "Verify the partnership between the regulated entity (RE) and the lending app. This can be done by visiting the website of the lender mentioned on the app. If the RE's website doesn't mention the name of that app, don't proceed," says Saxena. Borrowers should also not allow

the app to access personal data on their phone. "Fraudsters use these extra permissions to extract data from users, which they then use to blackmail them later," says Dave.

Install security software. "Customers should install trusted malware software on their devices and keep them updated," adds Dave.

Also, download apps only from trusted sources, including Google Play Store or Apple Store.

## If already trapped

Borrowers who have already fallen into the trap of an illegal app and are being harassed by its recovery agents should lodge a complaint.

"Immediately file a complaint at the nearest police station and the cyber cell of the police for redressal," says Saxena. Taking legal recourse, however, could be time consuming and expensive.

"Recovering any money paid to a loan app will require a long and arduous process through the civil or consumer courts. Although criminal proceedings may bring the operators to justice, customers may not always be able to recover their losses," says Swaminathan.

## Explore alternatives

If you need emergency funds, there are other loan avenues you can try. "Try to get an instant personal loan from a bank or avail a secured loan such as a gold loan. Personal loans can be approved in less than a day. Gold loans are also disbursed fast," says Swaminathan.



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