



## **Update to “Master Directions - Non-Banking Financial Company – Peer to Peer Lending Platform Directions, 2017” dated August 16, 2024 and way forward**

### **What has changed in P2P Lending Master Directions?**

In a major move, certain key provisions have been added in and some modifications have been made to the “Master Directions - Non-Banking Financial Company – Peer to Peer Lending Platform Directions, 2017” on Friday Aug 16, 2024. Such clarifications have been provided to further streamline the operations and offerings provided by Peer to Peer Lending Platforms in the country. The clarification has brought about the following changes and stipulations:

- A. NBFC-P2P shall not assume any credit risk, either directly or indirectly, arising out of transactions carried out on its platform. In other words, entire loss of principal or interest or both, if any, in respect of funds lent by lenders to borrowers on the platform shall be borne by the lenders.
- B. NBFC-P2P shall not cross sell any insurance product also which is in the nature of credit enhancement or credit guarantee;
- C. NBFC-P2P shall not utilize funds of a lender for replacement of any other lender(s).
- D. No loan shall be disbursed unless the lenders and the borrowers have been matched/ mapped and the individual lender(s) have approved the individual recipient(s) of the loan, and all concerned participants have signed the loan contract.
- E. NBFC-P2Ps shall disclose the fees liable to be charged at the time of lending itself. The fees shall be a fixed amount or a fixed proportion of the principal

amount involved in the lending transaction. The fees shall not be dependent upon the repayment by the borrower(s).

- F. The practice of matching/ mapping the participants within a closed user group, whether sourced through an outsourced agency or otherwise, is not permitted
- G. Funds from the lenders' bank accounts shall only be transferred to the Lenders' Escrow Account and shall only be disbursed to the specific borrower's bank account . The borrower shall transfer the amount towards repayment of loan from his bank account to the Borrowers' Escrow Account, from where the funds shall only be transferred to the respective lender's bank account. Funds from 'Lenders' Escrow Account' shall not be used for repayment of loans and funds from 'Borrowers' Escrow Account' shall not be used for disbursement of loans. The funds shall not remain in these Escrow Accounts for a period exceeding 'T+1' day, where 'T' is the date on which the funds are received in these Escrow Accounts. This provision shall become effective from November 15, 2024.
- H. Lender needs to be provided details about the borrower(s) including personal identity with his/ her consent, required amount, interest rate sought and credit score as arrived at by the NBFC-P2P.
- I. P2P Platforms Portfolio performance including share of non-performing assets (NPAs) on a monthly basis and segregation by age. It may be noted that such disclosures shall also include all losses borne by the lenders on principal or interest or both.
- J. The P2P platform shall not provide any assurance or guarantee for the recovery of loans. Further, the P2P platform shall not promote peer to peer lending as an investment product with features like tenure linked assured minimum returns, liquidity options, etc.

### **What is the impact above changes in P2P Lending Master Directions on Faircent (Fairassets Technologies Pvt Ltd) Offerings?**

1. Faircent offers two types of plans “Faircent Double (FD) Plans” and “Monthly Liquid Plans” apart from the option to fund individual loans on its platforms.

2. There is little impact on “Monthly Liquid Plans” and customers can at present utilize the “Monthly Liquid Plans” for funding loans. Faircent has to only allow for point G in para above, which it is working on to comply by the deadline of Nov 15 2024.
3. Due to Point “C” in para above, there is a major impact on operation of “Faircent Double (FD) Plans” as withdrawals can only be provided utilizing funds collected from Borrowers. Hence further onboarding and withdrawal of funds from Faircent Double plans have been stopped. Going forward Faircent will announce a methodology which will allow for distribution of collected Borrower EMIs to all lenders participating in the plan, as they are collected. Hence, lenders will get returns on a monthly basis which will include principal as well as interest until Nov 15 '24 and post that on a daily basis till such time all such loans are collectable.
4. For further details, you may contact your Faircent Relationship Manager or write to [support@faircent.com](mailto:support@faircent.com)

Thank you for your continued trust and support.

Team Faircent.