

Digital Lending: Intersection of DPDPA and the RBI Regulations

A regulated approach to digital loan sourcing in India

Based on analysis of RBI Directions and DPDPA

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REGULATORY BRIEF

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Regulatory Shift: From Marketing to a Regulated Gateway

Digital loan sourcing via DLAs is no longer a mere marketing function - it is a tightly regulated gateway into the lending relationship, shaping borrower choice and enforcing compliance from the very first interaction.

Regulatory Convergence

RBI Directions and DPDPA intersect to dictate how digital loan sourcing interfaces must be designed.

Lender Primacy

The Regulated Entity remains the principal and legally accountable lender despite LSP involvement.

Identity Disclosures

Borrowers must clearly see the identity and role of the lender before the loan journey begins.

Fair Matching Systems

Multi-lender platforms must transparently display both matched and unmatched lenders.

Granular Consents

Consent flows must rely on specific, unbundled authorisations rather than blanket agreements.

Enhanced Data Rights

Privacy policies must be visible before data sharing with options for withdrawal and deletion.

The RBI also recently came up with the Draft Amendment to Responsible Business Conduct Directions, which has also mandated explicit consent for advertising/marketing of third party financial products.

Our resources on the same can be accessed here: [From Consent to Compensation: RBI's Draft Directions for REs on Sales Practices](#)

Lender Primacy and Role Allocation

The RBI framework anchors regulatory accountability squarely on the Regulated Entity (RE), establishing strict boundaries for technology intermediaries and defining the operational design of digital lending models.

Principles of Primacy



RE is the Principal

The Regulated Entity is always the lender. DLAs and LSPs function strictly as agents or service providers.



Non-Outsourceable Responsibility

Regulatory liability cannot be contractually shifted to an LSP or DLA under any circumstances.



Mandatory End-to-End Control

The RE must exercise demonstrable control over digital journeys, interface content, and data processing methods.

Operating Model Implications



Function-Wise Mapping

Activities like onboarding, KYC, credit assessment, servicing and recovery must be mapped to defined RE and LSP roles.



Contractual & Policy Alignment

Roles must be explicitly detailed in contracts, internal policies and reflected in the system architecture.



Consistent Branding & Messaging

Interfaces and communications must clearly present the RE as the actual lender, never obscured by platform branding.

Loan Sourcing as a Regulated Activity

Digital loan sourcing is no longer merely a marketing function; it dictates borrower choice and entry into credit relationships, demanding upfront disclosures, distinct lender identities, and strict neutrality.

Regulatory Focus



Borrower Choice Shaped Early

Regulatory focus begins at the first point of contact between borrower and platform.



Disclose Matched Lenders

Provide digital view of all matching loan offers.



Disclose Unmatched Lenders

Reveal lenders excluded by matching logic.

Presentation & Neutrality Standards



Upfront RE Identification

Show RE name before application starts.



Prominent RE Branding

Ensure lender branding across screens and documents.

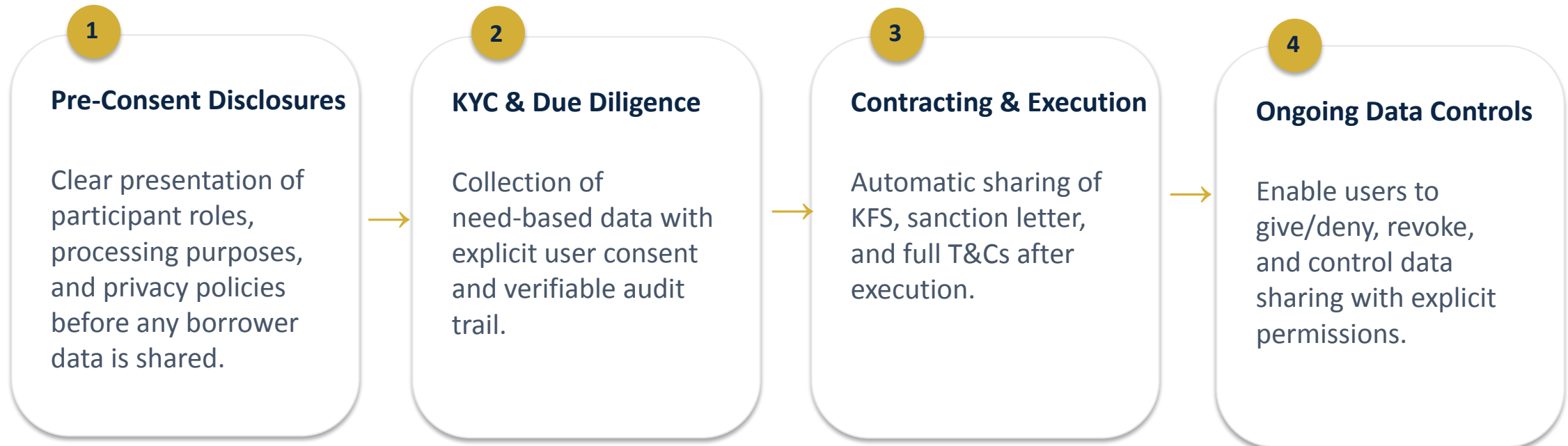


Fair Matching Mechanisms

Algorithms must be neutral and transparent.

Onboarding as a Consent-Oriented Legal Process

Onboarding is not just a technical step—it is the legal gateway where explicit data processing consents are established alongside regulatory obligations.



Crucial Design Requirement

Avoid blanket acceptances. Separate actions for: (a) loan T&Cs, (b) KYC & credit checks, and (c) marketing consent.

Who Is the Data Fiduciary?

Understanding the distinction between Data Fiduciaries and Processors under the DPDPA is critical for ensuring transparent privacy disclosures and securing informed, entity-specific borrower consent.

Identifying the Fiduciary



RE as the Data Fiduciary

The Regulated Entity determines purposes and means of processing data and hence would be the Data Fiduciary



DLAs/LSPs as Processors or Fiduciaries

Act as processors unless using data independently (analytics, cross-sell, etc.).



Data Mapping & Disclosure

Entities must map and disclose roles clearly to borrowers.

Privacy Policy Display



Upfront DLA Disclosures

DLA privacy policy must be shown before any account creation or data collection.



Matched RE Policies & Third Parties

Show each matched RE policy before sharing data, including third-party disclosures.



Informed, Lender-Specific Consent

Consent only after borrower reviews policies and selects a lender.

Consent Architecture: Granularity and Non-Bundling

Mandatory / Service-Essential

Consent is required; refusal halts onboarding

Onboarding & KYC

Includes access to camera/location only if required.

Credit Assessment & Underwriting

Necessary for evaluating creditworthiness.

Security/Collateral Information

Applicable in secured lending.

Optional / Ancillary

Consents must be independent and fully revocable

Marketing and Cross-Selling

Promotional communications and offers.

Sharing with Non-Essential Third Parties

Not required for loan processing.

Platform Analytics & Profiling

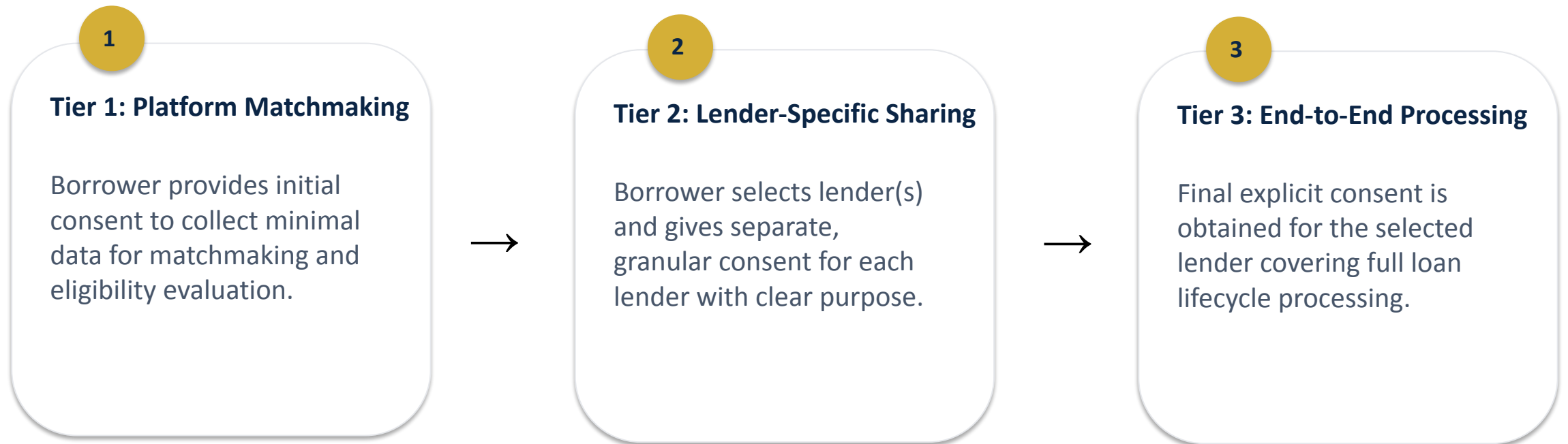
Used for product improvement or analytics.

Core Principles

Consents must be specific, purpose-linked, and completely unbundled. No blanket 'I agree' screens are permitted; each category must be independently revocable.

Multi-Lender Platforms: Tiered Consent Model

Multi-lender platforms require a structured, purpose-specific consent architecture to ensure borrower data is shared securely, legally, and transparently.



Platform Neutrality & Transparency

DLAs must ensure neutral and transparent display of loan offers, including both matched and unmatched lenders on the platform.

Withdraw Consent: Design & Servicing Implications

The right to withdraw consent must be operationalized within the DLA design, allowing borrower control while managing servicing and compliance impacts.

In-App Operationalization

"Manage Consents" Hub

Central dashboard showing purpose, receiving entity, and timestamp of all consents.

Easy & Granular Withdrawal

Enable purpose-specific withdrawal using simple toggles; avoid blanket revocations.

Single-Window Routing & Audits

Automated routing to REs/LSPs with real-time updates and audit logs.

Consequences & Communications

Servicing Impact Warnings

Withdrawal of core consents may limit servicing; provide clear warnings beforehand.

Immediate Marketing Opt-Outs

Marketing consent withdrawal must be instant with no impact on loan servicing.

Compliance-Only Processing

Processing may continue if legally required; data must be ring-fenced for compliance.

Retention, Deletion, Storage, and Localisation

Compliance with DPDPA and RBI Directions requires strict data lifecycle management, purpose-bound retention, minimization and in-country storage with lender segregation.

Post-Withdrawal Retention

Stop processing but retain where legally required (KYC, transactions, audit trails).

DLA/LSP Minimization

Delete or anonymize by default; retain only minimal data for processor duties.

Periodic Reviews

Conduct routine reviews; delete or archive data where purpose no longer exists.

Post-Closure Access

Curtail LSP access after closure; ring-fence retained data for compliance.

Data Localisation

Store borrower data within India; repatriate offshore data within 24 hours.

Lender Segregation

Ensure logical separation via Risk Based Access Controls, encryption, monitoring, and audit controls.

Conclusion: Embedding Compliance into Sourcing Architecture

Compliance in digital loan sourcing is no longer post-facto documentation; it must shape architecture, flows, and disclosures from the first interaction.

Sourcing as a Regulated Gateway

Treat acquisition as a legally structured entry point requiring design-first compliance.

Reinforce RE Identity

Clearly establish lender identity upfront; ensure neutral and transparent multi-lender matching.

Granular, Lender-Specific Consent

Provide unbundled, meaningful consents tied to lender disclosures before data sharing.

Operationalize Data Rights

Enable real exercise of data rights (withdrawal, deletion) with full auditability.

Architecting for Resilience and Trust

Embedding data minimization, segregation, and localization into digital ecosystems enables regulatory resilience and builds long-term trust in lending models.

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