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FAQs on Advertising, Marketing and Sale of Financial Products and Services, agency and referral activities: Commercial Banks

Version: 23rd June, 2026

In order to regulate mis-selling concerns for both products/ services of regulated entities and third-parties by a regulated entity, amendments have been issued 'Advertising, Marketing and Sale of Financial Products and Services by Regulated Entities', via two sets of amendment directions for Commercial Banks:

1. Reserve Bank of India (Commercial Banks - Responsible Business Conduct) Second Amendment Directions, 2026

   ('**RBC Amendment Directions**')
2. Reserve Bank of India (Commercial Banks – Undertaking of Financial Services) Third Amendment Directions, 2026

   ('**UFS Amendment Directions**')

These FAQs are intended to assist the banks in navigating through the changes.

See our other resources on the subject:

1. Detailed write up on the Amendment Directions here.
2. Youtube video here.
3. FAQs on Advertising, Marketing and Sale of Financial Products and Services, and agency activities: NBFCs here.
4. The Brochure for a half day workshop on June 26, 2025 (Physical-Bengaluru) where we will be discussing the Amendment Directions in detail can be accessed through here.

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Applicability and Effective Date

1. **What is the effective date of the Amendment Direction?**

   The Amendment Directions are effective from 1st January, 2027.
   That said, several parts of the Directions are built on the core of fair marketing practices. The Amendments indicate the regulator's policy. Hence, entities should try to align their practices as soon as possible, but not later than 1st January, 2027

2. **What are the products on which the amendment is applicable?**

   The Amendment Directions deal with advertisement, marketing and sale of the Bank's own as well as third-party financial products / services including through the DSA/ DMA engaged by the Bank.

3. **Do the Amendment Directions apply to all types of third-party products?**

   The Amendment Directions apply to sale/marketing of third party **financial** products/ services.

4. **The Amendment Directions are applicable only to "financial" products/ services. Does this mean a Bank is restricted from sale/ marketing of non-financial products? If not, will such distribution be covered under the Amendment Directions?**

   Sale/Marketing of non-financial products are not within the ambit of the Amendment Directions. In this regard, it may be noted that in case of commercial banks, there is an explicit restriction under the UFS Amendment Directions on dealing with regulated financial products and services only in which a bank is permitted to deal in as per the Banking Regulation Act, 1949. Hence, banks are not allowed to engage in the distribution of non-financial products/ services, thus the question of applicability of the RBC Amendment Directions to sale of non-financial products does not arise to the same.

5. **Do the Amendment Directions apply only to retail customers?**

   In our view, the Amendment Directions are intended to apply primarily in the context of retail customers. The reasons are as follows:

   1. Firstly, *explicit consent* has been defined as *"a specific, informed and* ***unambiguous indication of an individual's choice****, given through a duly recorded/documented statement or clear affirmative action, which indicates agreement to a specific action by or arrangement with a Bank.*" The concept of explicit consent, which constitutes one of the foundational requirements governing the sale and marketing of financial products expressly refers to an *individual's choice*.

2. Secondly, the *suitability and appropriateness assessment*, which is another key pillar of the Amendment Directions, is required under Paragraph 85P to be undertaken for determining whether a financial product is suitable and appropriate **for an *individual customer***. The express reference to "individual customer" indicates that this requirement is not intended to extend to non-individual entities.
3. Thirdly, Paragraph 85X of the Amendment Directions requires Banks and their DSAs/DMAs to ensure compliance with the *Guidelines for Prevention and Regulation of Dark Patterns, 2023* issued by the Central Consumer Protection Authority (CCPA), as amended from time to time. These guidelines have been issued under the Consumer Protection Act, 2019, which is primarily intended **to protect consumers purchasing goods or services for personal use** and, in limited circumstances, certain small businesses obtaining goods or services for the purpose of earning their livelihood through self-employment. This further supports the view that the underlying intent of the Amendment Directions is consumer protection in the retail context.

Based on a holistic reading of the Amendment Directions, particularly the concepts of explicit consent, suitability and appropriateness assessment, dark pattern compliance, and mis-selling, it appears that the regulatory framework is principally directed towards retail customers.

6. Does the purview of retail customers include sole proprietorship concerns as well?

Since a sole proprietorship does not have a legal identity separate from that of the proprietor, there is often no meaningful distinction between the individual and the business carried on by such an individual. Accordingly, Banks should ensure compliance with the requirements of the Amendment Directions while selling financial products and services to such sole proprietors as well.

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7. Do the Directions apply to:

(a) products/services sold before the Effective Date and

(b) products/services sold after the Effective Date but to the existing customers?

(a) The Amendment Directions are applicable prospectively, hence, requirements in relation to explicit consent, assessment of suitability and appropriateness of products/services, as well as disclosures regarding product features, would generally not apply in respect of products that have already been sold to existing customers prior to the Effective Date, if such products have already been availed by the customer.

However, the provisions relating to customer grievance redressal and the ability of customers to raise complaints regarding alleged mis-selling would continue to be applicable to existing customers as well who might have been sold third party financial products prior to the Effective Date.

(b) Further, where a Bank markets or offers any new product or service to an existing customer on or after 1 January 2027, the requirements of the Amendment Directions would apply in its entirety to such sale or marketing activity. In the case of prospective customers as well as offering products to existing customers, the Banks would be required to comply with all applicable requirements under the Amendment Directions from the Effective Date.

Mis-selling, Suitability assessment and compensation

Mis-selling and Suitability assessment

8. What constitutes "mis-selling" under the Amendment Directions?

Mis-selling includes:

a. Selling unsuitable products based on customer profile
b. Providing misleading or incomplete information
c. Selling without proper consent
d. Compulsory bundling
e. Any other regulator-defined unfair practices

9. Does customer consent cure a suitability deficiency?

No. Para 4(20A)(i) explicitly provides that the sale of a product which is neither suitable nor appropriate constitutes mis-selling "notwithstanding" the customer's explicit consent. Customer consent therefore does not cure or waive a suitability deficiency.

10. What evidence would be required to defend allegations of mis-selling?

To defend against mis-selling allegations, the Bank must produce a comprehensive digital or physical audit trail. This may include:
(1) the suitability/appropriateness assessment (para 85P);
(2) prominent disclosure of key product features, risks, financial commitment, lock-in and exit terms (para 85H);
(3) in case of product sold, bundled or cross-sold to an existing customer, Verifiable records of "explicit consent" obtained without the use of dark patterns (para 85G and 85X); and
(4) delivery of the signed terms/conditions or agreement.

11. What happens if mis-selling is established?

The Bank must:

a. Refund the entire amount paid by the customer

b. Cancel the sale where applicable
c. Compensate the customer for any loss arising from mis-selling See later on the compensation-related FAQs no 108-116.

12. What are the remedies that the customer has in case the customer is not satisfied with the mis-selling related remedy/compensation provided by the Bank?

The Amendment Directions require the Bank to handle the complaint and provide refund/compensation where mis-selling is established, but does not prescribe a further appeal route. Any further recourse would depend on the applicable RBI (such as integrated ombudsman scheme - see an article on the same here) or sectoral-regulator grievance framework for the product concerned.

13. What is the purpose of suitability and appropriateness assessments?

The assessment is intended to ensure that, before sale to an individual customer, the product/service is evaluated against that customer's profile. The assessment reduces the risk of unsuitable or inappropriate sales and supports the mis-selling and feedback framework (refer paras 85P, 85Y, 85Z).

14. Which products require suitability and appropriateness assessment?

The obligation applies to any financial product/service sold to an individual customer, except products/services determined under the Bank's policy to be suitable for all customers. Where a sectoral regulator has prescribed a specific suitability assessment for its product, the Bank must follow that as well (refer paras 85P, 85ZA(2)).

15. Does Suitability/Appropriate assessment need to be conducted for each product? Or can the same be done on a policy-wide basis?

Reference is drawn to para 85P of the Amendment Direction which states that:

"Before a financial product / service, ***other than those determined as suitable for all customers as per the bank's policy, is sold to an individual customer, its suitability and appropriateness for the customer shall be determined by the bank based on an analysis of the features, risk-return attributes, time horizon, complexity, fee structure, etc. vis-à-vis the customer's age, income, level of financial literacy, risk tolerance, etc….****"*

Considering that the exemption is limited to only such cases where a product has been deemed suitable as per a Bank's policy as suitable for all customers, suitability and appropriateness analysis would need to be conducted by the customer for each individual customer.

16. What are the drivers of unsuitability, on account of which a product may be said to be unsuitable to a customer?

The following attributes or drivers are listed in para 85P itself:

- Features: Does the product in question have the features which the customer in the instant case may be seeking.
- Risk-return attributes: There are two important points come here - first, the asymmetry in the risk return profile (for example, some products such as written options may have limited return but open ended risk), and secondly, the understanding of the risk-return profile of the product vis-a-vis customer's needs [for instance, an AIF investment being sold to a retired individual depending on regular cashflows]
- Time horizon: for example, a long tenure home loan being sold to a customer nearing his retirement
- Complexity: for example a derivative product with range bound knock out options being marketed to a customer, who is either not able to appreciate the features, or for whom the knock-out conditions will make the entire derivative not a good hedge;
- Fee structure: a product which carries step up fees, or steep penalties where the chances of the borrower missing instalments are quite high looking at the borrower's income levels
- Income: for example, where the debt servicing requirements are too steep for the borrower's income levels
- Level of financial literacy: a complicated structure being sold to a customer who is not initiated or well versed with such products
- Risk tolerance: A highly risky product being sold to a customer whose stable income does not have risk absorption ability.

Some other examples of unsuitable products may be:

- Risk tolerance: the ability to bear losses and the investment objectives of the customer (Article 25 of **MiFID**)
- Affordability: the relation between fixed obligations and income, particularly for customers with low income
- Suitability may also depend on the information, for example, intended end use of funds, as indicated by the borrower in the application.

Note that suitability concerns have been kept limited to individuals - therefore, for businesses and corporate customers, suitability aspect is not covered by this regulation.

Are all suitability parameters applicable to each product? Surely no. The suitability has to be contextualised with the product, putting an individual customer in front. Ideally, a Bank should identify all the products which are or may be marketed to individuals, and list out the suitability parameters that could be relevant for each such product. This should ideally be done either in a policy, or in an SoP pursuant to a policy.

17. Which products may be *"determined as suitable for all customers"*?

Para 85P refers to "other than those determined as suitable for all customers as per the Bank's policy", therefore, giving rise to the question - what are the products which may be suitable for all customers. Essentially products which do not entail a risk, affordability, complexity, fee payout, etc may not be carrying the risk of suitability for the customers.

This may include, for instance, products like a current account or savings account.

A Bank will have to identify its products, and then put the question as to what could be the reasons for which or the factors due to which the product may be unsuitable. Please see the list of factors above.

If there are products which may be regarded as suitable for all customers, then the suitability assessment is not to be done for such products.

18. How should suitability and appropriateness assessments be conducted?

Before sale, the Bank must assess the product/service against the customer's profile by comparing product-side factors such as features, risk-return attributes, time horizon, complexity, fee structure, etc. with customer-side factors such as age, income, financial literacy, and risk tolerance. The policy should set the criteria and approach. If a sectoral regulator prescribes a specific methodology, that must also be followed (refer paras 85P, 85A, 85ZA(2)).

Please also see FAQ 16 above.

19. How should product complexity be evaluated?

Paragraph 85P of the Amendment Directions, 2026 requires Banks to evaluate the complexity of a financial product as part of the suitability and appropriateness assessment. The Directions, however, do not prescribe any specific methodology or quantitative formula for this evaluation.

20. How should product risk be assessed?

Product risk assessment under paragraph 85P involves evaluating risk-return attributes in the context of the customer's risk tolerance and ability to bear loss.

21. There are two expressions used - suitability and appropriateness. Are these different?

Yes. There is a shade of difference between the two. 'Suitability' is used in the context of products which require advisory or execution support of the RE. On the other hand, 'appropriateness' is relevant in case of self-execution products. For example, if an RE allows a customer to trade in some instrument using its platform, the product does not require constant involvement of the RE. Therefore, the test to be applied there is one of appropriateness - have

we handed an appropriate instrument to the customer? In case of products or services requiring support of the RE, the expression used in suitability. See global regulations such as FINRA 2111.

22. How is suitability and appropriateness expected to be tested in practice? Are the observations of the sales team required to be documented?

- Since suitability testing is relative to a product and the customer, in our view, the right approach may be first to identify the products, and for each product, identify the parameters basis on which the suitability may be tested.
- The easiest task may be to classify unsuitable products, that is, either define the genre of those customers with specific indicators who are unsuitable for a product, or products which are unsuitable for particular customers. This would enable an exclusion or elimination approach.(Refer to FAQ 16 above)
- Identify the information that must be collated from a customer for the relevant suitability parameters - through the standard application forms or to be assessed by the sales team during an interview/ visit or other interface.
    - If the customer either does not share the information which is critical for suitability assessment, or shares vague information, the Bank has to take a call on whether it would take the enhanced risk of tripping on the suitability assessment.
- Responsible use of technology tools for suitability assessment should be perfectly okay, as long as there is regular validation of the results.
- Is a suitability recommendation from the sales team advisable? We would recommend this, because the positive assertion as to suitability may draw the attention of the sales team on the aspect, and put a sense of responsibility.
    - The first line of responsibility in suitability assessment is the sales team. Therefore, it is very important to regularly sensitise and educate the sales team.
    - There are periods when sales teams show heightened urge to grab new business, such as close to the end of the period for which the sales- team's targets or KPIs are to be assessed. The compliance teams may pick up some of these cases to educate the sales team about the deviations.

23. Is it okay if the customer confirms the suitability and appropriateness, with a declaration that the customer has understood the terms/conditions of the product, and the customer finds the product suitable?

In our view, suitability is not an assertion of the customer; it is an enquiry to be made by the RE.

However, the customer feedback referred to in para 85Y also includes a feedback on suitability. Therefore, a post-sale feedback may help understand suitability.

24. For assessing the robustness of internal compliance, is it okay for a Bank to assume that every product sold is suitable, unless challenged by someone?

This may be a wrong assumption - the compliance team should regularly do test checking of product suitability, even if not questioned, to make process improvement.

25. Can suitability assessments be automated? For instance, can AI-based recommendation engines be used?

The Directions do not expressly prohibit automated or AI-assisted suitability assessments. If used, the Bank must still ensure compliance with the substantive suitability requirement, explicit consent architecture, and dark-pattern restrictions (paras 85P, 85G, 85I, 85X). Use of AI has to be backed by strong governance - which means human oversight, rigorous validation of results, etc.

26. Can suitability assessments be outsourced?

The Amendment Directions do not expressly address the outsourcing of suitability assessments; however, in our view, it may be a core function.

27. Must suitability assessments be periodically reviewed?

Suitability is to be tested, as provided in para 85P, before a product/service is sold. Therefore, the assessment is required to be done at the time of sale.

However, please refer to the feedback system required by Reg 85Y.

28. What documentation should be maintained?

At minimum, the Bank should retain the customer's profile inputs, the suitability/appropriateness assessment record, product disclosures, explicit consent record, signed terms and conditions. Consent-related records must be preserved till one year from cessation of the contractual agreement for that product/service. (refer paras 85P, 85G, 85H, 85S, 85T of the Amendment Directions, 2026).

29. Can customers override suitability recommendations?

The definition of mis-selling under paragraph 4(20A)(i) explicitly includes: "Sale of a product / service, which is neither suitable nor appropriate in view of the customer's profile evaluated at the time of sale, *notwithstanding her / his explicit consent*" This provision makes it clear that customer consent does not cure a suitability deficiency. Therefore, even if a customer explicitly requests or consents to purchase a product that the Bank's assessment has determined to be unsuitable, the Bank cannot sell that product without exposing itself to mis-selling liability.

30. How should suitability assessments be conducted if (a) Bank is acting as agent for third-party products? (b) Third parties are acting as Bank agents?

For Third-Party Products or Services (TPPS), the Bank shall not only rely on the assessment standards mentioned in the Amendment Directions. Paragraph 85P, read harmoniously with Paragraph 85ZA(2), mandates that wherever a financial sector regulator (e.g., SEBI for mutual funds, IRDAI for insurance, PFRDA for pension-linked schemes) has prescribed a specific suitability assessment analysis, the Bank *"shall ensure adherence to the same."* Therefore, there is a dual standard to be observed for TPPS.

As regards sale of Bank's products/services by third parties, note that any agent makes the Bank responsible for the agent's actions. Therefore, the Bank has to maintain clear surveillance on the agent, and get the recommendation of suitability assessment from such agent. Of course, the Bank cannot be absolved of its obligations despite such recommendation or affirmation.

31. How should suitability be assessed in digital journeys?

Suitability assessment in digital journeys should satisfy the substantive requirements of para 85P. The digital interface must capture sufficient customer-specific information to enable a meaningful assessment, and such information should be captured, not merely for credit assessment, but also for suitability. The process must be designed to avoid dark patterns prohibited under para 85X and Annex IIA. The system should generate a retrievable record of the customer inputs, disclosures, and consent flow.

32. Are we saying that the loan processing apps may have to be modified in light of the suitability directions?

If suitability related information is presently not being sought, or the same is not being evaluated from the viewpoint of suitability, then, in our view, the lending apps may require modification.

33. In case of co-lending, do both co-lenders need to carry out a suitability and appropriateness analysis? Can one co-lender rely on the suitability and appropriateness analysis carried out by the other co-lender?

The Amendment Directions do not expressly address co-lending. As a compliance position, each Bank involved in the sale/marketing of the product and interfacing with the customer should ensure that the Para 85P requirement is satisfied, and reliance on another entity's process would not by itself remove its own regulatory responsibility in line with Para 9, RBI Outsourcing Directions, 2025. However, given the fact that the customer interface is with the originating RE, there is an increased burden of adherence on the originating RE. The funding RE must certainly carry higher level checking.

34. Do the provisions in respect to mis-selling and suitability assessment apply to renewals of products?

Renewals may broadly be categorised into two types:

(i) Active/Solicited Renewals – where the Bank approaches the customer at or near expiry and the customer makes an affirmative decision to continue the product or service for a further term; and

(ii) Auto-Renewals – where the original contract provides for automatic continuation upon expiry unless the customer opts out.

The obligations under the Directions apply fully and without ambiguity to active/solicited renewals, as these constitute a clear instance of a fresh customer decision and, therefore, a fresh "offer/sale" of a financial product or service.

In case of auto-renewals, applicability needs to be assessed more carefully, particularly based on whether the renewal involves any change in terms and the extent to which the original consent can be considered valid, informed, and continuing. Our comments towards the same are provided below:

a. Para 85G mandates that financial products and services, whether own or third-party, may be offered or sold only upon obtaining the customer's **explicit consent**, which must be specific, informed, and unambiguous (as defined under paragraph 4(13A)).
b. An active/solicited renewal would clearly constitute a fresh "offering" and would therefore require fresh explicit consent at the time of renewal. In such cases, the consent flow must comply with paragraph 85I, including the requirement that the default option is set to **"No" / "I do not agree"** and that consent cannot be obtained without the customer reviewing the relevant terms and conditions.
c. In the case of auto-renewals on unchanged terms, although it may be argued that no fresh "sale" is occurring due to the pre-existing contractual arrangement, however, what was suitable at the time of original sale may not be such at the time of renewals, because of change in parameters such as age, income, etc.

Bundling of products and services

35. What is the meaning of Compulsory Bundling?

Compulsory bundling means making the availment of one product/service conditional upon availing another product/service (whether offered by the RE itself or a third party).

Most usual examples are:

- We will sanction the loan only if you operate a current account also with the bank.
- We will sanction the loan only if you get insurance from my group company or the company that I suggest.
- We will sanction the loan only if you have availing, say, trading or broking services with a group company.

However, examine the following:

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- A bank gives incentives for a second product, thereby not forcing bundling but rewarding bundling. In our view, this is also not obscuring or limiting the freedom of choice of the customer.
- Bundling is different from pre-conditions of a credit decision. For example, a bank refuses to lend to a borrower who does not have life insurance, or mediclaim: this is understandable as a precondition to a credit decision. Neither does the Bank necessarily require a fresh insurance to be taken, nor does it necessarily dictate a particular insurance company.

36. Is compulsory bundling the same as tying, or tie-in sales?

In competition law, the word "tying" or similar expressions are used when a seller bundles two otherwise distinct products. That is, the two products could have been marketed together, but the seller, using its dominant position, bundles the two. There have been cases of this nature against Microsoft and other leading entities in global jurisdictions.

Note that in case of lending transactions, the existence of a dominant position is not important. Mostly, a borrower takes a loan in situations of urgency, and does not have the bandwidth or time to search for alternatives. That is, exploitation of the urgency of the situation is far more common in lending transactions than in regular sales.

37. Is any bundling of products prohibited, or only compulsory bundling?

Only compulsory bundling is prohibited. Para 85V of the RBC Amendment Directions expressly carves out two permissible categories i.e., voluntary bundling (multiple products offered as a package based on the customer's voluntary consent) and complimentary bundling (offered without any additional direct or indirect cost to the customer). Neither is treated as compulsory bundling.

38. What is the difference between permissible bundling and compulsory bundling?

Under Para 4(6A), compulsory bundling arises when the Bank makes availment of one product/service conditional upon availment of another, whether own or third-party. Under Para 85V, Permissible (voluntary) bundling preserves the customer's autonomy in which the primary product remains independently available, the customer can decline the additional product without penalty or denial, and the default option is set to "No" (Para 85I).

39. Can an RE offer a loan and insurance as a package?

Yes, subject to conditions. Para 85V permits a loan-insurance package provided:

a. the customer has a genuine choice to avail only the loan without the insurance;

b. insurance is not a condition precedent for loan sanction; and
c. if insurance is required as a risk mitigant for the loan (for example, a loan against a house, or a car, or commercial property), the customer must be given the option to purchase it from any TPPS Provider of their choice.
d. Separate explicit consent is mandatory for each product under Para 85G.
e. Whether insurance is aligned with the subject matter of the loan.

40. Does explicit consent apply even for voluntary/complimentary bundling?

Yes, without exception. Para 85G requires explicit consent for all products/services, own or third-party, regardless of whether the bundle is voluntary or complimentary. The complimentary carve-out in Para 85V only exempts such offerings from the definition of compulsory bundling; it does not exempt them from the consent requirement. Even for a free add-on, the default must be "No / I do not agree" (Para 85I), and the customer must make an affirmative choice to receive it.

41. Can consent to receive a loan be treated as consent to market insurance?

No. Para 85G expressly requires that where consent is sought for more than one product on a single form, each product must be clearly enumerated and the customer must have the option to choose only the desired product(s). Loan consent cannot be extrapolated as consent for insurance marketing. Para 85L separately requires explicit consent before any promotional communication about a financial product is sent to a customer.

42. What consent architecture is required for bundled offerings?

Paras 85G, 85I and 85Q together mandate that:

a. Each product/service must be clearly enumerated with its nature and features prominently indicated, in a dedicated section/module for digital forms (Para 85Q);
b. Separate, explicit consent must be obtained for each product, a single checkbox covering multiple products is prohibited;
c. The default option for each product must be "No / I do not agree" (Para 85I);
d. Consent cannot be granted without the customer reviewing the applicable terms and conditions (Para 85I);
e. Consent records must be preserved for one year from cessation of the contractual agreement (Para 85G).

43. Can an RE fund the purchase of insurance from loan proceeds without separate consent? Will this amount to compulsory bundling?

No. Para 85W expressly prohibits a Bank from funding the purchase of any product/service, own or third-party, out of a sanctioned loan facility without the customer's explicit consent.

Automatically deducting insurance premiums from loan disbursements without a separate, documented affirmative action is a regulatory violation. Such conduct would also constitute compulsory bundling under Para 85V and mis-selling under Para 4(20A)(iii) (sale without explicit consent).

44. What are the consequences of compulsorily bundling products?

Compulsory bundling is classified as mis-selling under Para 4(20A)(iv). Under Para 85Z, the Bank must refund the entire amount paid for the bundled product, cancel the sale where applicable, and compensate the customer for any loss arising from the mis-selling. See later on the compensation-related FAQs no 108-116.

45. How should digital application forms handle multiple products?

Para 85Q requires digital application forms to: (a) clearly distinguish each product/service through a dedicated section/module; (b) prominently indicate the nature and features of each product; and (c) obtain explicit consent for each product separately. The interface must not deploy dark patterns such as pre-selected options (basket sneaking — Annex IIA(2)), interface interference (Annex IIA(6)), or forced action (Annex IIA(4)). The customer must be able to proceed with the primary product without selecting additional products.

46. Does the prohibition on compulsory bundling apply to both RE's own products and third-party products?

Yes. Para 4(6A) defines compulsory bundling to cover both own and third-party products/services. Para 85V operationalises the prohibition specifically against bundling of any TPPS with the Bank's own product/service. Therefore, both dimensions are covered i.e. own-product tied with own-product, and own-product tied with TPPS product/service. For e.g. A Bank cannot require a customer to take both its personal loan and its credit card as a mandatory package, nor require purchase of a specific insurer's product as a condition for a loan.

47. What should REs include in their policy to address compulsory bundling?

The comprehensive policy under Para 85A must cover, at minimum:

a. Clear definition of compulsory bundling and permissible bundling, aligned with Para 4(6A);
b. Criteria for permissible voluntary/complimentary bundling and the risk-mitigant carve-out (with free choice of TPPS Provider);
c. Consent architecture standards for bundled offerings;
d. Prohibition on funding additional products from loan proceeds without separate explicit consent (Para 85W);

e. Incentive design guidelines ensuring no employee/DSA incentive is structurally tied to combo volume in a manner that creates mis-selling pressure (Para 85U);
f. Digital interface audit protocol for periodic review to detect dark pattern bundling (Para 85X, Annex IIA); and
g. Mis-selling remedy procedure - refund, cancellation, and compensation timelines (Para 85Z).
h. Ensure that digital apps used do not have a weightage for additional or tied sales.

48. Is "voluntary bundling" truly voluntary if customers are subtly nudged through marketing incentives or default selections?

No, it may not be truly voluntary. The RBI Directions require that the customer has a "real choice." The most common tactic is to make the process tougher, or give the borrower the sense that the chance of rejection is much higher if the borrower does not choose a bundled product. Reasonable incentive to the borrower for the second purchase may not be challenged as an indirect bundling, except where the cost differential is such that it makes a stand-alone purchase unviable. Also refer to FAQ 52.

49. How is the "real choice" of the customer for bundled offerings, audited? Is there a metric to measure whether customers genuinely feel that they can decline without consequences?

The Directions do not prescribe a specific metric, but Para 85X requires user testing and periodic internal audit of all user interfaces to identify unfair features including dark patterns. Para 85Y requires a half-yearly feedback mechanism operated by a department not associated with sales. In practice, Banks can assess: opt-out rates (**a near-zero decline rate is a strong indicator of coercive design**); post-sale callback surveys asking whether customers knew they could decline; and consent records confirming the default was consistently "No".

50. What happens if a customer's consent is recorded but the UI shows " Insurance recommended for your loan protection" in bold red text? Is this a manipulative design?

Yes, this constitutes "Interface Interference" which is a prohibited dark pattern under Annex IIA(6) of the RBC Amendment Directions. Annex IIA(6)(i) expressly identifies "displaying the preferable option for the Bank in bright colours/bold fonts on website/mobile app" as interface interference.

51. Can AI-powered recommendation engines suggest "optimal packages" without violating the anti-bundling principle? How to distinguish suggestion from coercion?

The line of distinction between suggestion and coercion is quite fine. If the AI-powered tool merely gives a suggestion, and the RE does not load the customer with adverse consequences of

not taking the suggested package, it may not be compulsory bundling. However, as we have mentioned above, a near-zero decline rate may point towards tacit coercion.

52. If a loan and credit card combo is offered at a 5% discount if both are availed, is this "voluntary bundling with incentive" or "compulsory bundling”?

This is a grey-zone question requiring contextual analysis. The discount model does not automatically constitute compulsory bundling. If both products remain independently available at standard prices and the customer is genuinely free to choose either independently, with the combo discount offered on affirmative consent and the default set to “No”, this may be permissible voluntary bundling with incentive under Para 85V.

However, the structure crosses into *de facto* compulsory bundling if: (a) the discount is so significant that the standalone price is commercially irrational (making the standalone option effectively coercive); (b) the interface design nudges the customer toward the combo through dark patterns (Annex IIA); or (c) the incentive structure drives mis-selling by sales staff (Para 85U). The critical compliance question is whether the discount creates genuine value aligned with customer suitability (Para 85P) or functions as a mechanism to drive inappropriate product combinations.

53. If a customer requests insurance separately after loan approval, can the Bank say "we can only process insurance through our preferred channel"? Is this restrictive?

Para 85V of the Amendment Directions state that “*if the sale of the Bank’s own product / service is contingent on purchase of a TPPS as a risk mitigant, the customer shall be provided the option to purchase the same from any TPPS Provider”*. In the current case where the RE says that “we can only process insurance through our preferred channel” the same leads to compulsory bundling and violation of para 85V. Accordingly this will amount to a restrictive practice employed by the Bank, the borrower must be provided with an option to take the insurance from any other TPPS provider.

54. If sales staff incentives are tied to "loan + insurance" combo volume, is this indirect coercion even if the customer technically has a choice?

Yes. Para 85U requires that Bank policies and practices do not create incentives for mis-selling of products/services, whether own or third-party. A sales incentive structure tied to combo volume creates a direct conflict of interest wherein the staff has a financial interest adverse to the customer's interests, regardless of whether the customer formally has a choice. The formal existence of customer choice does not extinguish the Bank's institutional liability if its incentive architecture systematically drives unsuitable product combinations

55. **If a DSA earns ₹500 for a successful loan + ₹100 for selling an insurance separately, but ₹800 for the combo, is this "volume-based drive" prohibited?**

    For reasons as discussed above, the answer should be yes.

56. **If a DSA sells a bundled package without separating consents, is the Bank liable even if the Bank's internal policy explicitly prohibited this practice?**

    Yes. The Bank bears full regulatory liability for the DSA's conduct regardless of what its internal policy says. Para 85F of the RBC Amendment Directions requires the Bank to obtain a written undertaking from DSAs/DMAs that they and their sub-agents agree to abide by the Code of Conduct, and the agreement between the Bank and the DSA must cover penal/disciplinary action for violations. Para 85B requires the Bank's policy to include "control mechanisms to ensure compliance with statutory requirements" and "procedures to be followed and penal actions to be taken in case of non-compliant DSAs/DMAs."

    The existence of a prohibitory internal policy is a mitigating factor in any regulatory proceeding, but it does not extinguish the Bank's liability to the customer. Where compulsory bundling by a DSA is established, Para 85Z requires the Bank (not the DSA) to refund the entire amount paid by the customer and compensate for any loss arising from the mis-selling. The Bank may pursue contractual recourse against the DSA under the agency agreement, but customer-facing liability remains squarely with the Bank.

57. **IRDAI requires insurers to offer group insurance for loan borrowers. Does the RBI's anti-bundling framework override this, or do both regimes coexist?**

    Both regimes coexist and are not in conflict. The RBI's anti-bundling framework under Para 85V of the RBC Amendment Directions prohibits compulsory bundling. It does not prohibit group insurance as a product category. A Bank may offer group insurance to its loan borrowers under the IRDAI framework, provided the offering is structured on a voluntary basis where the customer must be able to decline the group insurance without the loan being denied or its terms being adversely affected.

Product marketing, Consent requirements and Withdrawal of Consent

Product Marketing

58. **Do the Amendment Directions regulate both online and offline marketing?**

    Yes. The Amendment Directions applies equally to digital channels (apps, websites, emails, SMS, WhatsApp) and physical channels (pamphlets, brochures, branch interactions, agent-led sales).

59. **What disclosures are mandatory in product marketing materials?**

a. As per para 85K of the Amendment Directions "A Bank shall ensure that all its advertising / promotional materials such as pamphlets, brochures, etc., whether in physical or digital form, are **clear and factual. Such materials shall disclose the interest rate and other fees / charges associated with the financial product / service being promoted**. The terms and conditions pertaining to the product / service shall be prominently disclosed at all points of sale / digital channels such as website, mobile app, etc." Hence the product features, rates, fees and charges are clearly disclosed in the marketing materials of the Bank.
b. Where the marketing material relates to a **third-party product/service (TPPS)**, additional identity disclosures are mandatory:

   Para 85J provides that a Bank shall not advertise/market any TPPS as its own, and while giving the details of any TPPS Provider to a customer, **the Bank shall clarify its role** in providing such financial product/service.

   This means every TPPS marketing communication must disclose:

   - That the product is not the Bank's own product, and
   - The Bank's precise role vis-à-vis the TPPS Provider.

c. As per para 85H while obtaining consent for any product/service (own/third party), Banks shall **prominently disclose the key features of the product / service, e.g., fees / charges / interest rate, etc., risks involved, financial commitment for the customer, lock in conditions, exit terms including penalties, etc.** in a manner to draw the attention of the customer to such important information.

Consent Requirements

60. What is meant by "explicit consent"?

Para 4(13A) of the Amendment Directions defines "explicit consent" as "a specific, informed and unambiguous indication of an individual's choice, given through a duly recorded/documented statement or clear affirmative action, which indicates agreement to a specific action by or arrangement with a Bank."

Each element of this definition must be satisfied for consent to qualify as explicit consent.

a. Explicit, and not implicit - for example, there is no consent by default, or deemed consent if the customer does not respond.
b. Specific – Consent must relate to a clearly identified product, service, action or arrangement and cannot be obtained through broad or generic authorisations.
c. Informed – The customer must be provided with adequate and understandable information regarding the relevant product or arrangement, including its material terms and implications. Consent obtained through incomplete, misleading or confusing

disclosures would not be considered informed. In this regard, the RBI has also prohibited the use of "trick wording" and other dark patterns that may mislead customers.

d. Unambiguous indication of an individual's choice – The customer's intention to consent must be clear and objectively demonstrable. Silence, inactivity, pre-ticked boxes, implied consent or failure to opt out would generally not suffice. This is also reflected in Paragraph 85L, which requires the default choice for consent to be "No" / "I do not agree".
e. Individual's choice – Consent must be voluntary and result from the customer's own decision-making process, free from coercion, undue influence or deceptive practices.
f. Duly recorded/documented statement or clear affirmative action – Consent must be evidenced through a verifiable record, such as a signed declaration, electronic acknowledgement, recorded confirmation, OTP validation or any other positive action clearly signifying agreement.
g. Indicates agreement to a specific action by or arrangement with a Bank – There must be a clear nexus between the customer's consent and the specific activity for which consent is sought. Consent obtained for one purpose should not be relied upon for unrelated purposes unless separately disclosed and agreed to.

61. In what form may explicit consent be obtained?

As per para 85G explicit consent may be obtained through:

a. a signed declaration (either physically or electronically),
b. OTP based approval,
c. digitally recorded confirmation,
d. consent embedded in a clearly demarcated section of the agreement for the product / service, etc

62. Is there any difference between the explicit consent requirements under the Amendment Directions and the Digital Personal Data Protection Act (DPDPA)?

Though DPDPA does not define the term explicit consent, however, Section 6 of the DPDPA defines certain features of the consent. Section 6 of the DPDPA states that:
"*The consent given by the Data Principal shall be* ***free, specific, informed, unconditional and unambiguous with a clear affirmative action, and shall signify an agreement to the processing of her personal data for the specified purpose*** *and* ***be limited to such personal data as is necessary for such specified purpose***." Hence the explicit consent requirements under Section 6 of DPDPA are in alignment with the Amendment Directions.

63. When is explicit consent required to be obtained?

Explicit consent would be required for the sale or marketing of third-party financial products to a customer and would be required to be obtained prior to sale/marketing of a financial product.

However, it may be noted that such a requirement is generally triggered in the context of targeted communications directed at an identified customer.

In contrast, the use of general advertising channels or mass media, which are intended for a broad and indeterminate audience, does not constitute customer-specific communication and would typically fall outside the scope of the Amendment Directions.

64. Would separate consent forms be required in respect to the Amendment Directions and notice requirements under Section 5 of the Digital personal Data Protection Act?

Section 5 of the DPDPA requires consent to be obtained prior to any processing of personal data. Processing includes sale/marketing activities as well. Hence in our view separate consent forms would not be required, however, Banks need to ensure that the additional requirements as specified under Section 5 of the DPDPA are incorporated in the consent form.

65. Can consent be obtained through WhatsApp or similar messaging platforms?

Yes. Paragraph 85G of the Amendment Directions recognizes digitally recorded consents as valid forms of consent. Accordingly, consent may be obtained through WhatsApp or similar messaging platforms, provided that the Bank is able to maintain a complete and verifiable audit trail evidencing the consent obtained through such channels. A chatbot on Whatsapp is also a commonly used way.

The Bank should ensure that the consent captured through these platforms satisfies the requirements of explicit consent under the Amendment Directions and that adequate records are retained to demonstrate the customer's identity, the information presented to the customer, the customer's affirmative action indicating consent, and the date and time at which such consent was provided.

66. Is recorded verbal consent sufficient?

Recorded verbal consent may fall within the category of “digitally recorded consent”, subject to such consent meeting the standard of explicit consent. Furthermore the definition of explicit consent includes duly recorded consent. This would mean the verbal consent must be recorded.

67. Can consent be inferred from customer conduct?

No, consent cannot be inferred solely from a customer's conduct. The definition of *explicit consent* requires a clear affirmative action by the customer indicating agreement to a specific action by, or arrangement with, the Bank. Further, the consent must be *specific, informed and unambiguous*.

Mere customer conduct, silence, inaction, or implied acceptance would generally not satisfy these requirements, as such actions do not clearly demonstrate that the customer has knowingly

and consciously agreed to the particular product, service, or arrangement. Accordingly, for consent to qualify as explicit consent under the Amendment Directions, there must be a demonstrable affirmative act evidencing the customer's informed and unambiguous agreement.

68. Can a single consent cover multiple products or services?

A single consent cannot be used to cover multiple products or services, as the processing of personal data for each product or service constitutes a distinct processing activity requiring separate and specific consent.

This position is further supported by Paragraph 85G of the Amendment Directions, which provides that while obtaining consent for more than one product or service on a single form, each product or service must be clearly enumerated, and the customer must be given the option to select only the desired product(s) or service(s).

Accordingly, bundling multiple products together under a single consent mechanism, without providing the customer the ability to opt in or opt out of individual offerings, would not meet the requirement of explicit consent, as it deprives the customer of a meaningful choice in respect of each distinct product or service.

69. Is separate consent required before offering third-party products or services?

Yes, separate consent will be required before offering third-party products or services. Separate consents to be obtained by the Bank against each separate third-party product or service.

70. Can consent for third-party products be bundled with consent for the Bank's own products?

Under Para 85G, while obtaining consent from a customer for more than one product/service on a single form, each product/service shall be clearly enumerated and the customer shall have the option to choose only the desired product(s)/service(s). A single form may therefore cover multiple products, but each must be separately identified and individually consented to.

71. Can consent for bundled products be obtained through a single checkbox?

No, consent needs to be explicit for each product, hence accordingly a single checkbox cannot be used for obtaining consent in respect to more than 1 product.

72. What evidence should be maintained to demonstrate consent?

A Bank must be able to demonstrate, at all times, that consent was obtained in a valid, informed, and explicit manner. To this end, it is essential to maintain robust audit trails covering the full lifecycle of consent from initial presentation to eventual cessation of the product or service agreement. The audit trail at the minimum should capture the following:

a. The precise date and time at which consent was presented to the customer, and the date and time at which the customer provided consent.

b. Evidence confirming that it was the customer themselves who provided consent for example, OTP logs, authenticated session IDs, digital signatures, or verified call recordings.
c. A clear linkage between the consent provided and the specific product(s) or service(s) for which it was obtained, including evidence that each product was enumerated separately and that the customer exercised an independent choice
d. A record of the type and category of information obtained from or about the customer pursuant to the consent provided.
e. The method through which consent was obtained [Methods to obtain the same has been specified under para 85G of the Amendment Directions]
f. The exact wording, form, or script presented to the customer at the time consent was sought. This is critical to demonstrate that the customer was adequately informed at the point of consent
g. A log of any subsequent requests made by the customer in relation to the consent already provided including modifications, withdrawals, grievances raised, and actions taken by the Bank in response thereto.
h. A record of the date of cessation of the contractual agreement, to ensure that consent records and related documentation are preserved for a minimum period of one year thereafter.

73. How long should records of consent be retained?

As per para 85G of the Amendment Directions Banks are required to store or preserve consent and related records of a product / service sold by it till one year from the date of cessation of the contractual agreement with respect to the product / service.

74. What communications are considered promotional communications?

Promotional communications include any communication sent to customers for advertising, marketing, or offering financial products/services, whether of the Bank or third-party providers. This covers communications such as SMS, emails, calls, app notifications, and any other marketing or solicitation messages intended to influence a customer's purchase or engagement decision.

75. Can promotional calls be made to customers without their consent?

As per para 85L of the Amendment Directions promotional calls can be made only if the customer has provided explicit consent to receive such communications. In the absence of such consent, making promotional calls would be non-compliant.

76. Can promotional visits be undertaken?

As per para 85N(8) promotional visits may be undertaken only in accordance with customer consent requirements. In particular, customers must not be visited at their residence, business, or office for promotional purposes without their explicit consent.

77. Can promotional messages be sent to existing customers without consent?

Refer to our response under FAQ 7

Withdrawal of Consent

78. Can customers withdraw their consent earlier provided?

Para 85M of the Amendment Direction states that "*A Bank shall ensure that the process for unsubscribing from any kind of services or promotional communication is easy and simple*." Hence accordingly customers have a right of withdrawal of consent provided earlier.

79. Can customers withdraw consent at any time?

Para 85M of the Amendment Directions also provides an option/right to the customer for unsubscribing to marketing/promotion of third party financial products. Hence the right to withdrawal/unscrubscribing is available to the borrower at any point of time. Withdrawal of consent under this will result in the immediate cessation of all further promotional communications to the customer in respect of that product / service. However, it will have no bearing whatsoever on the existing product or service, and will not affect the Bank's ability to send transactional or service-related communications that are not promotional in nature.

80. Will withdrawal of consent requirements apply to existing customers whose consent has been obtained prior to the Effective Date?

Yes the same would be applicable on existing customers as well.

81. How quickly should opt-out requests be honoured?

There are no fixed timelines within which requests of opt-out/withdrawal needs to be honoured. In respect to consent for promotional communications / marketing, once the credentials of the customer are verified, Banks should immediately cease to process such personal data. In respect to consent for the product / service itself withdrawal requests must be honoured in case if there are no associated processing activities in respect to the data (for example borrower had taken a loan and the loan has now been completely repaid, hence there exists no further basis for the retention and further processing of such data) or retention is no longer required as per the provisions of applicable law, whichever is later.

82. Is there any prescribed standard for what constitutes an "easy and simple" unsubscribe process under Para 85M?

The Amendment Directions do not prescribe a specific standard or maximum number of steps for unsubscribing. However, the following practical guidance may be drawn:

a. The CCPA's Guidelines for Prevention and Regulation of Dark Patterns, 2023 which the Bank is required to adhere to under Para 85X specifically identify "Subscription Trap" as a dark pattern, which includes making cancellation of a subscription a "complex and lengthy process" or hiding the cancellation option. This provides an implicit benchmark.
b. As a practical standard, the unsubscribe mechanism should be: (a) accessible directly from the promotional communication itself (e.g., an unsubscribe link in every promotional email/SMS); (b) completable in no more than one or two steps without requiring the customer to log in or call a helpline; and (c) effective immediately or within a clearly disclosed short timeframe.
c. The Bank should periodically test the unsubscribe process to ensure it remains compliant, and any customer complaints regarding difficulty in unsubscribing should be treated as a compliance flag.

Marketing agents; their appointment, code of conduct and vicarious obligations

83. Who is a "DSA/DMA sub-agent" and are they covered under the Amendment Directions?

Para 4(10B) defines a DSA/DMA as an entity or individual (other than a Bank's own employee) engaged by a Bank, irrespective of the contractual designation / nomenclature used for such engagement (such as Loan Service Provider (LSP), Business Correspondent (BC) etc.), to sell or market / promote / influence customers for purchase of its own or third-party product / service. The Explanation to Para 4(10C) extends the same framework to individuals directly engaged by the Bank under an outsourcing arrangement for selling/marketing activities; they are treated as both DSA/DMA and sub-agent for compliance purposes.

84. Does DSA include referral agents, who just share the lead i.e. name and contact details of customers?

Readers may also read upon their distinction in our article here

85. Do the Directions apply to referral arrangements?

In arrangements where intermediaries merely provides the name and contact details of a prospective borrower to the Bank, without undertaking any activity relating to the selling, marketing, promotion, solicitation, or influencing the borrower to avail of the financial product such intermediaries are solely as referral partners and the Amendment Directions would not be applicable on such entities.

86. What must a Bank's policy cover regarding the engagement and oversight of DSAs/DMAs?

Para 85B mandates that the policy should cover eligibility criteria; pre- and post-engagement due diligence; training of sub-agents; assignable functions/activities; performance evaluation standards; inspection/audit mechanisms; statutory compliance controls; and penal actions for non-compliant DSAs/DMAs.

87. Are digital platforms and fintech partners that facilitate the sale of the Bank's products classified as DSAs/DMAs?

Yes, if they engage in selling, marketing, promotion, or influencing customers for the Bank's products. Para 4(10B) is channel-agnostic. A digital lending platform or fintech partner that onboards customers, presents product options, facilitates consent, or influences purchase decisions on behalf of the Bank is a DSA/DMA.

88. Is a Bank required to formulate a Code of Conduct for DSAs/DMAs? What must it cover?

Yes. Para 85F requires the Bank to put in place a Code of Conduct applicable to its own employees, DSAs/DMAs and their sub-agents, and TPPS Provider representatives deployed in its premises. The Code must be displayed on the NBFC's website. Based on Para 85N, the Code must cover at minimum: upfront fee/charge disclosures; communication of terms and conditions; restriction of calls/visits to 09:00–19:00 hours; prohibition on visiting customers without explicit consent; customer privacy obligations; DND flagging; prohibition on misleading or coercing customers; and prohibition on false/unauthorised commitments.

89. Is a formal undertaking required from DSAs/DMAs to abide by the Code of Conduct? Does the Code apply to sub-agents?

Yes to both. Para 85F requires the Bank to obtain a written undertaking from DSAs/DMAs, covering themselves and their sub-agents, before assigning any sale/marketing activities. A similar undertaking is required from TPPS Provider representatives. The agency agreement must specify penal/disciplinary action for Code violations.

Feedback mechanism

90. Is a customer feedback mechanism mandatory?

Yes, according to para 85Y of the Amendment Directions, Banks are required to establish a feedback mechanism to ensure that customers have understood the features of the financial product / service and also the risks associated with such financial product / service.

91. Is the feedback mechanism applicable for the Bank's own product?

The objective of the feedback mechanism prescribed under paragraph 85Y is to ensure that customers are adequately aware of and understand the features, terms, and risks associated with a financial product or service, it is our view that such mechanism should also extend to Bank's own product.

Further, implementation of such a feedback mechanism assumes greater significance in cases where products are marketed through DSAs/DMAs, as the Bank may not have complete visibility into the manner in which customer interactions and product-related communications are being undertaken by such intermediaries. Obtaining customer feedback post-sale would therefore serve as an important control mechanism to verify that customers have been appropriately informed and that no misleading representations have been made during the sales process.

Additionally, extending the feedback mechanism to products offered by the Bank also will serve as an effective means of monitoring the conduct of DSAs/DMAs and assessing whether their activities are aligned with applicable regulatory requirements, the Bank's internal policies, and the contractual obligations governing their engagement. Such feedback may also assist the Bank in identifying potential instances of mis-selling, customer dissatisfaction, or non-compliant sales practices at an early stage.

92. Within what period must feedback be obtained from customers?

The feedback shall be obtained from the customers within 30 days from the sale of financial product/ service to the customer.

93. Does the feedback requirement apply to all financial products and services?

No specific exemption has been provided to any financial product/ service under the Amendment Directions. Hence, the requirement shall be applicable to all products/ services.

94. What should the customer feedback mechanism cover?

The feedback should cover that customers have understood the features of the financial product / service and also the risks associated with such financial product / service.

95. Who shall be responsible for carrying out the feedback mechanism?

The feedback mechanism shall be executed by a department / vertical of the Bank, not associated with sale of products / services.

96. Can feedback be obtained through digital channels?

According to para 85Y of the Amendment Directions, feedback may be obtained through modes such as call-backs or surveys, in our view the same may be obtained through digital channels such as the Bank's website, a form, SMS or any other mode.

97. Is there a reporting requirement of such feedback?

A half-yearly report on the findings of the feedback shall be prepared and utilised for review of existing policies and features of financial products / services in line with para 85Y.

98. Who should review the findings of such reports?

If there is a Customer Service committee, the Committee should see this. The Board should decide the appropriate committee to receive and interpret the feedback.

99. Does the feedback requirement apply to products purchased through top-up transactions?

Yes. The feedback requirement shall apply to products purchased through all transactions, including both first-time purchases and top-up transactions. Refer response to Q9 above.

100. Can the Bank rely on feedback mechanisms implemented by a TPPS provider?

The responsibility for implementing and managing the feedback mechanism has been placed on the Bank. Additionally, since the products are being sold through DSAs/ DMAs empanelled by the Bank, it shall ensure appropriate oversight and monitoring of the feedback mechanism. In our view, Banks shall not rely on the feedback implemented by a TPPS provider.

101. Can customer feedback be sought through automated AI-driven systems?

Yes, customer feedback may be sought through automated AI-driven systems, provided that such systems are designed and implemented in accordance with the applicable regulatory requirements. The Bank shall ensure that the feedback mechanism enables customers to provide genuine and unbiased feedback and that adequate controls are in place to maintain transparency, data privacy, and accuracy in the feedback collection process.

Complaint Handling

102. Can misselling be a valid ground for complaint?

A customer can lodge a complaint regarding mis-selling of a financial product/ service with the Bank within the timeline specified by the respective financial sector regulators.

103. Within what timeline can a customer lodge a complaint regarding mis-selling?

A customer may lodge a complaint within the timeline specified by the respective financial sector regulator applicable to the relevant financial product or service. Where no specific timeline has been prescribed by the regulator, the customer may lodge a complaint within 30 days from the date of receipt of the signed copy of the terms and conditions/agreement.

104. How should complaints relating to mis-selling be handled?

The Bank shall examine the complaint and assess whether the financial product or service was mis-sold based on the facts, documents, customer interactions, and applicable policies and procedures.

105. What remedy shall be provided if mis-selling is established?

Where mis-selling is established, the Bank shall refund the entire amount paid by the customer towards the purchase of the financial product or service and intimate the customer regarding cancellation of the sale, wherever applicable.

106. Para 85Z of the Amendment Directions specify a 30 day period from the date of receipt of the signed copy of the terms and conditions/agreements to raise complaints in respect to mis-selling. What would happen if the customer subsequently discovers there has been a mis-selling, would the right to raise a complaint go away?

It is important to note that mis-selling of a financial product or service is not merely a regulatory infraction in substance, it frequently amounts to fraud or fraudulent misrepresentation under the Indian Contract Act, 1872. Where a product is sold by suppressing material information, providing incorrect or misleading disclosures, or obtaining consent through deceptive means, such conduct would squarely fall within the meaning of fraud as defined under the Indian Contract Act, 1872. Contracts induced by fraud are voidable at the option of the party defrauded, and no limitation period prescribed under a regulatory direction can deprive a customer of this right.

In this context, the mere expiry of the 30-day internal complaint window would, in our view, be an insufficient defence for a Bank seeking to avoid liability for established mis-selling. For example: Where a customer avails a loan and is simultaneously sold a credit life insurance or investment-linked insurance product as part of the package without being adequately informed that the insurance is optional or that it is being sourced from a third-party provider at an additional cost, the mis-selling may only become apparent when the customer actually attempts to raise a claim under the insurance policy and discovers that the product does not cover the risks they believed it would, or that significant exclusions apply. This realisation typically occurs months or even years after the product is sold.

Hence, the 30 days period may just be a regulatory prescription and the customer is not limited by such a period to raise a complaint towards mis-selling with the Bank.

107. In cases of mis-selling, will a claim against the Bank suffice, where the Bank has sold a third party financial product to the borrower?

The Bank may provide agency or referral services for TPPS, however, where the Bank is selling the TPPS, the same would amount to "agency" business (refer FAQs under agency and referral business). Under the Indian Contract Act, 1872, such agent relationship has the following implications:

a. The TPPS Provider, as principal, is vicariously liable for the acts of the Bank carried out within the scope of the agency, by virtue of Sections 226 and 238 of the Indian Contract Act. Section 238 specifically provides that misrepresentations or frauds committed by an agent in the course of the agency bind the principal.
b. The Bank, as agent, simultaneously bears personal liability for its own acts or omissions in the course of the sale under Section 212 and Section 233 of the Indian Contract Act.

Accordingly, both the Bank and the TPPS Provider may be concurrently liable to the customer.

Compensation

108. Will the customer receive compensation in addition to a refund?

Yes. In addition to refunding the amount paid for the financial product or service, the Bank shall compensate the customer for any loss suffered due to mis-selling, in accordance with its approved compensation policy. Please see detailed guidance under FAQ 110 below.

109. Why is there a question of compensation when the amount paid by the customer has been refunded?

In many cases, refunding the amount by the customer may be linked with returning the consideration/product that was passed to the customer, and the same may involve costs or losses to the customer. Hence, the question of compensation.

110. How will compensation for losses arising from mis-selling be determined?

Compensation shall be determined in accordance with the Bank's approved policy, which may consider factors such as the nature of the mis-selling, financial loss suffered by the customer, and other relevant circumstances. The compensation framework and cap on compensation as provided under the Integrated Ombudsman Scheme, 2026 may be used by Banks for reference.

Para 85Z provides as follows: "In cases where mis-selling of a financial product / service is established, the Bank shall refund the entire amount paid by the customer for purchase of the financial product / service and also intimate the customer about cancellation of the sale, wherever applicable. Further, the Bank shall also compensate the customer, for any loss arising due to mis-selling, as per its approved policy."

Refund of the amount paid has to be accompanied by return of the consideration passed to the customer as well. Then, there is the other part - compensation for any loss as per approved policy.

Let us take some examples:

(a) The customer claims that the Bank sold a loan of Rs 5000/- which is admittedly not suitable for the borrower. The customer paid an EMI, say Rs 500.

The Bank will contend that refunding the EMI of Rs 500 will be contingent upon the customer returning the loan. Here, the customer may be forced to take an alternative liquidity option to return the loan: hence, the compensation intends to make the customer whole. In essence, the idea is, admitting there was mis-selling, the customer should be put in the same situation where he was prior to the mis-selling.

(b) The customer claims the Bank force-sold an insurance while the customer already had sufficient insurance. Here, the Bank refunds the premium paid. The Bank may have the insurance also cancelled and bear consequences. It does not seem that there is any other compensation to be paid.

In essence, the compensation policy may restrict the claims to directly relatable losses, and not consequential losses or losses due to time, agony, emotion etc.

111. What will be the mechanics/process of identifying and establishing mis-selling?

In our view, this may have to be elaborated in the policy, and given the fact that it affects customers, it should be public.

Essentially, on receiving a complaint about mis-selling, the Bank should first do, within a short time span, first level fact finding enquiry, and then escalate the matter to an internal mechanism. In our view, in the final decision relating to compensation, the internal ombudsman should be involved.

112. Can a customer cancel the financial product/service after identifying mis-selling?

Where mis-selling is established, the Bank may (a) allow the customer to continue with the product/service after compensating the customer for the loss/damage suffered; or (b) cancel the sale, refund the amount received from both sides, and compensate.

In our view, cancellation need not be the only option.

113. Can a customer waive their right to compensation through contractual terms?

No, in our view a customer cannot effectively waive their right to compensation for mis-selling through contractual terms, for the following reasons:

a. Mis-selling, by its very nature, involves wrongful selling. If the customer is not put to prejudice, the question of compensation does not arise. On the contrary, if the customer is put to prejudice, the reason for someone to agree to not seek compensation does not seem plausible. A contractual waiver of compensation rights in a mis-selling context would therefore be unenforceable.
b. Further, under the Consumer Protection Act, 2019, unfair contract terms including those that seek to limit or exclude a seller's liability for deficiency in service are specifically recognised as void and unenforceable.
c. From a regulatory perspective, the compensation obligation under Para 85Z is cast directly upon the Bank as a regulatory duty. A contractual waiver cannot override a regulatory obligation, and any attempt to do so would itself constitute a violation of the Directions.

Accordingly, any clause in a loan agreement, terms and conditions, or any other document that purports to waive or limit a customer's right to compensation for mis-selling should be treated as void and unenforceable.

114. How should compensation be determined where multiple parties contributed to the mis-selling?

Where multiple parties such as the Bank, its DSA/DMA, TPPS provider have each contributed to the mis-selling, the following framework is suggested:

a. As a matter of regulatory obligation, the Bank remains the primary and non-delegable point of liability towards the customer under Para 85Z. The customer need not concern themselves with the internal apportionment of liability between the various parties.
b. Internally, the Bank's compensation policy should provide for a clear mechanism to assess the relative contribution of each party to the mis-selling and apportion liability accordingly. For instance, where the mis-selling arose primarily from a DSA/DMA's misrepresentation, the Bank's contractual arrangements with the DSA/DMA should enable it to recover the corresponding portion of compensation paid from the DSA/DMA.
c. Where the TPPS Provider's product itself was defective or mis-described, the Bank should seek indemnification from the TPPS Provider under the terms of their agency arrangement.
d. In cases adjudicated before consumer fora or civil courts, the adjudicating authority has the power to apportion liability amongst co-respondents based on their respective contributions to the mis-selling.

115. Can compensation be denied if the customer benefitted from the product despite the mis-selling?

No, in our view compensation cannot be outright denied merely because the customer derived some benefit from the mis-sold product, though the quantum of compensation may be adjusted to reflect such benefit. The reasoning is as follows:

a. The right to compensation arises from the act of mis-selling itself i.e., the violation of the customer's right to make an informed decision and is not contingent upon the customer suffering a net financial loss. The customer was deprived of the opportunity to make an informed choice, and this in itself constitutes a compensable wrong.
b. However, the principle of restitution under general law requires that the customer be restored to the position they would have been in had the mis-selling not occurred not that they be placed in a better position. Accordingly, any genuine financial benefit derived by the customer from the product should be taken into account while quantifying compensation, to avoid unjust enrichment.
c. The Bank's compensation policy should therefore provide for a net loss assessment, where compensation is calculated as the total loss suffered minus any quantifiable benefit actually received by the customer from the mis-sold product

116. How should compensation be determined where the customer voluntarily selected the product but disclosures were inadequate?

Inadequate disclosure at the point of sale is itself a form of mis-selling under Para 4(20A)(ii) of the Amendment Directions, which defines mis-selling to include sale of a product without providing correct or complete information. The voluntary selection of the product by the customer does not cure the deficiency in disclosure. The following approach is suggested:

a. Compensation should be assessed on the basis of what decision the customer would likely have made had adequate disclosures been provided. Where it can be reasonably established that the customer would not have purchased the product had they been fully informed, full compensation for the resulting loss would be appropriate.
b. Where the customer might still have purchased the product even with full disclosure but on different terms or with different risk awareness, compensation should be calibrated to reflect the difference between the customer's actual position and the position they would have been in had proper disclosures been made.
c. The Bank's compensation policy should specifically address this scenario and provide for a documented assessment process, to ensure consistency and fairness in determining compensation in disclosure-related mis-selling cases.

Promotional communication/ materials, dark patterns

Promotional communication/ materials

117. What are the requirements applicable to advertisements and promotional materials issued by a Bank?

A Bank shall ensure that all advertisements and promotional materials relating to its financial products/services are clear, accurate, and factual. Such materials shall not contain any misleading information or representations.

The Bank shall disclose the applicable interest rate and all relevant fees, charges, and other costs associated with the financial product or service being promoted.

118. What types of materials are covered under this requirement?

The requirement applies to all advertising and promotional materials issued by the Bank, including physical and digital materials such as pamphlets, brochures, websites, mobile applications, social media communications [Refer para 2 of Annex I to RBI Issues Amendment Directions on 'Advertising, Marketing and Sale of Financial Products and Services by Regulated Entities, which states that "Influencers, affiliates, LSPs or any other similar digital marketing intermediaries engaged for promotion or customer acquisition would fall within the broader category of DSAs / DMAs] and other customer-facing promotional content. In other words, whatever media is used by the Bank to draw customers directly or indirectly constitutes advertisement/promotional material and comes under the regulation.

119. Can a Bank advertise or market a TPPS as its own product or service?

No. A Bank shall not advertise, market, or represent any TPPS as its own product or service. The Bank shall ensure that all customer communications clearly identify the third-party provider offering the relevant product or service.

120. What is meant by advertisements and promotional materials being "clear and factual"?

The information provided in advertisements and promotional materials should be accurate, transparent, and presented in a manner that enables customers to understand the key features, costs, terms, and conditions of the financial product/service without ambiguity or misleading representations.

This does not mean that the text in the advertisement cannot be qualitative, persuasive or carry or make an appeal. The intent of the para 85K in our view is that the promotional material should not be based on myth, assumptions, surmise or things which are not proven by fact.

121. "The terms and conditions pertaining to the product / service shall be prominently disclosed at all points of sale / digital channels such as website, mobile app, etc". What does "prominent disclosure" of terms and conditions mean?

Prominent disclosure means that the terms and conditions should be displayed in a manner that is easily accessible, visible, and understandable to customers, and should not be hidden, difficult to locate, or presented in a manner that reduces their visibility.

122. Are advertisements issued by DSAs/DMAs or other third parties covered under this requirement?

Yes. The Bank shall ensure that advertisements and promotional materials issued by its DSAs, DMAs, or other authorised representatives on its behalf comply with the applicable disclosure requirements and do not contain misleading information.

123. When can a Bank send promotional material to a customer?

Promotional communications relating to the Banks or third-party financial products/services shall only be sent to customers who have provided explicit consent to receive such communications. The Bank shall also ensure appropriate disclosures regarding the third-party nature of such products/services.

124. What happens if a customer believes that a TPPS was misrepresented as a Bank product?

A customer may raise a complaint through the Bank's grievance redressal mechanism. The Bank shall examine the complaint and take appropriate corrective action in accordance with applicable regulatory requirements and its internal policies.

125. What is the requirement regarding the "unsubscribe" process for customers?

Refer to our response under FAQ 82

126. What types of communications are covered under the unsubscribe requirement?

The requirement applies to all modes of promotional communications used by the Bank.

Dark Patterns

127. What are Dark Patterns?

Dark pattern means any practices or deceptive design pattern using user interface or user experience interactions on any platform that is designed to mislead or trick users to do

something they originally did not intend or want to do, by subverting or impairing the consumer autonomy, decision making or choice, amounting to misleading advertisement or unfair trade practice or violation of consumer rights.

128. Is it permissible to display advertisements or promotional content relating to other products/services before a customer proceeds with a loan application?

Promotional content may be displayed before or during the loan application journey to inform customers about other products or services offered by the Bank. However, customers should be able to proceed with their loan application without being required to interact with, view, or navigate through such promotional content. Any design that compels a customer to engage with advertisements or promotional offers as a condition for continuing the application process may be regarded as a **Forced Action** illustrated as a dark pattern by RBI. However, displaying general advertisements or informational content that is not linked to the completion of a specific service would ordinarily be permissible. Further, any promotional communications, alerts, or marketing messages should be sent only where the customer has provided explicit consent to receive such communications.

129. Does requiring multiple clicks to reject optional products amount to a dark pattern?

Where rejecting or declining a product is significantly more cumbersome than accepting it, the platform design may amount to manipulation of the user interface by misdirecting a user from taking an action as desired. This interface may be viewed as an attempt to influence the customer choice amounting to **Interface Interference**, a dark pattern that manipulates the user interface by making certain actions more difficult to undertake, thereby impairing the customer's ability to make a free and informed decision.

130. Can "Pre-Approved Loans" be advertised when approvals remain subject to underwriting?

A Bank should refrain from advertising "Instant Loan Approval" where the sanction of the loan remains subject to underwriting, credit evaluation, or other eligibility checks. Such representation may create a misleading impression regarding the certainty of approval and could potentially qualify for mis-selling. In this case the outcome ultimately delivered differs from the one advertised to the customer.

131. Would repeated extension of a limited-time offer constitute a "False Urgency" dark pattern?

Repeated extension of a limited-time offer may raise concerns where the original deadline or time-bound benefit is not genuine. Such practices may create an artificial impression that immediate action is required, thereby influencing customers to make decisions without adequate consideration of available alternatives. This might mislead a user into making an immediate purchase or taking an immediate action leading to purchase. As per annexures, RBI

identifies countdown timers and similar tactics creating artificial urgency as examples of False Urgency. Accordingly, Banks should ensure that any time-sensitive offers accurately reflect the availability of the offer throughout its duration.

132. Can the app repeatedly prompt users to purchase products after they have declined to avail those services/products once?

Repeated and persistent prompts encouraging customers to purchase a product or service after they have expressly declined the offer may be viewed as a practice having the potential to disrupt the customer experience and impair autonomous decision-making by exerting undue influence on the customer's choice.

However, a limited number of follow-up communications may be permissible where they are reasonable, non-intrusive, and based on a legitimate business purpose. For instance, a Bank may remind a customer about an incomplete application, notify the customer of a material change in the terms of an offer, communicate the expiry of a genuine promotional offer, or present a relevant product at a later stage where the customer's circumstances have changed. However, repeated prompts, recurring pop-ups, or persistent notifications aimed at persuading a customer to reconsider a product or service that has already been declined may increase the risk of such conduct being characterised as a dark pattern.

133. Should location, contact list, camera, or similar permissions be obtained even where the application can function without such permissions?

Seeking permissions such as location, camera, or device access may constitute a prudent risk-management measure where such information supports fraud prevention, KYC compliance, cybersecurity controls, or other legitimate business and regulatory objectives. The concern under the RBI's Forced Action dark pattern is not the collection of such permissions itself, but requiring customers to grant permissions that are disproportionate or lack a clear nexus to the service being availed. Accordingly, Banks should ensure that any permission sought is supported by a legitimate purpose and is transparently disclosed to customers.

134. Where critical terms are displayed through scrolling due to limited digital screen space, is any specific disclosure required to be given by the Bank ?

The Directions do not prescribe any specific disclosure solely of critical terms presented through a scrolling interface, Banks remain obligated to ensure that key features, fees, charges, risks, lock-in conditions, financial commitments, and exit terms are disclosed in a manner that effectively draws the customer's attention. Accordingly, where scrolling is used, the user interface should be designed to ensure that critical information is not obscured, overlooked, or presented in a manner that diminishes its prominence. Further, customers should not be able to

provide consent without having been afforded a reasonable opportunity to review the applicable terms and conditions.

135. Can we block app usage unless non-essential permissions are granted?

Blocking access to an application or preventing customers from availing a service unless they grant permissions that are not essential for the functioning of the service may constitute a Forced Action. This practice effectively compels customers to share personal information or device access unrelated to the service they intend to use. Therefore, non-essential permissions should remain optional, and denial of such permissions should not ordinarily restrict access to the core functionality of the application. An exception may arise where the permission is necessary to comply with regulatory requirements or is integral to the provision of the specific service, provided the rationale is clearly disclosed to the customer.

Agency or Referral Services by Bank for Third party products and services

136. What is "Agency Business" under the amended regulatory framework, and how has the definition changed from the prior regime?

Para 4(i)(a) of the UFS Amendment Directions substitutes Para 4(1) of the UFS Master Direction to define "Agency Business" as an arrangement under which a Bank or its group entity acts as an agent of a third-party product or service provider (TPPSP), without risk participation, to facilitate the sale of the latter's financial products or services (e.g., insurance, mutual fund, pension fund) to its own customers. The activities covered under agency business arrangements may inter alia include marketing, sales, promotion, initial point of contact for redressal of grievances, and other after-sale services related to the product or service.

There is effectively no change in the definition, the amended definition omits the following:

Under agency business arrangement, the bank and the group entity shall enter into an agreement with a TPPSP ***for sale of only regulated financial products or services****.* The same has now been made a part of Para 58(1) of the UFS Directions, albeit only in the context of banks.

137. What is "Referral Services" under the amended regulatory framework, and how has the definition changed from the prior regime?

Para 4(17) of the UFS Directions has been amended to define “referral services” as an arrangement under which a bank may refer its customers to a TPPSP by making available information about the financial products or services offered by the TPPSP. Banks may undertake only such third-party product or services under Referral route where continued customer

interactions such as distribution, grievance redressal, post sales services are not undertaken. This further clarifies that the scope of referral services cannot include any continued customer interactions in any form.

138. What is the distinction between "agency" and "referral" services?

A principle-based distinction is required between Agency Business and Referral Services. Refer to our article discussing this in detail- Referral or Representation? The Fine Line Between LSP, DSA and Referral Partner.

139. What products and services may a Bank distribute under an agency business arrangement or referral services arrangement?

Para 58 of the UFS Directions deals with agency business by the banks. As per Para 58(1),

Banks shall ***only deal with regulated financial products and services*** *in which a bank is* ***permitted to deal in as per sub-section (a) to (m) and (o) of Section 6(1) of the Banking Regulation Act, 1949****.*

Para 4(i)(c) of the UFS Amendment Directions inserts Para 4(17A) of the UFS Master Direction, defining "Regulated financial products and services" as financial products and services which fall under the regulatory framework of any of the financial sector regulators viz. RBI, SEBI, IRDAI, PFRDA, and Overseas Regulatory Authorities including IFSCA.
Non-financial products are not covered, since there is a statutory bar on a bank from getting into non-banking business.

Similarly, the referral services can also be undertaken only for regulated financial products or services.

140.

141. What are the uniform conditions applicable to all agency business arrangements entered into by a Bank?

Para 58 of the UFS Directions, as amended, establish the following conditions uniformly applicable across all product categories of agency business:

a. No risk participation: The business must be undertaken on a fee basis without any risk participation. This should also be explicitly disclosed upfront to the customers.

b. Compliance with RBC Directions, 2025: The Bank must be in full compliance with the RBC Directions, 2025, which govern advertising, marketing, consent, suitability, mis-selling, and customer protection aspects.
c. Grievance redressal: The Bank must ensure that the TPPSP has robust customer grievance redressal arrangements in place. The Bank may facilitate the redressal of grievances.
d. Product listing/display: Only such products as are covered under the arrangement shall be listed or displayed on the Bank's website, mobile applications or other digital channels
e. Regulated products only: The Bank shall enter into an agreement with a TPPSP for the sale of only regulated financial products or services.

142. What does "without risk participation" mean in the context of agency business, and what structures would constitute impermissible risk participation?

Every product carries risks and rewards. Usually, risks and returns are intertwined and are difficult to segregate. Absence of a return may be seen as a risk, and not being hit by a risk may be seen as a reward. Therefore, if the agent participates in either the risks or the rewards, it may be seen as taking the risk.

Plainly speaking, the agent should not take the risks of a product that the agent is marketing in capacity as such. For example, if a Bank is marketing a bond issued by someone, it should not take the risk of default of the bond, or offer a guaranteed rate.
If there is a participation in the returns of the TPPSP, for the products/ services marketing by the Bank, that may also be seen as amounting to risk participation, as return is just another side of risks.

143. What are the uniform conditions applicable to all referral service arrangements entered into by a Bank?

Para 62 of the UFS Amendment Directions, as amended, establish the following conditions uniformly applicable across all product categories of referral services:

- Regulated products only: The Bank shall enter into an agreement with a TPPSP for the referral of only regulated financial products or services.
- No sale, only referral: The role of the bank shall be purely “referral”, the bank may market and refer, but not sell TPPS under referral arrangements. This should also be disclosed to the customers upfront.
- Compliance with RBC Directions, 2025: The Bank must be in full compliance with the RBC Directions, 2025, which govern advertising, marketing, consent, suitability, mis-selling, and customer protection aspects.

- Product listing/display: Such products/ services as are covered under the arrangement shall be listed or displayed on the Bank's website, mobile applications or other digital channels.
- No integration of processes, featuring brand name: The name/ brand of the Bank shall not feature on any TPPS covered under referral arrangement. Further, there should be no integration of any processes of TPPS in banks' digital/ physical platform, except for an access link to redirect the customer to the TPPSP.
- Grievance redressal: The Bank must ensure that the TPPSP has robust customer grievance redressal arrangements in place. However, unlike in case of agency business, the Bank cannot facilitate the redressal of grievances under referral arrangements.
- Due diligence of TPPSP: The bank shall carry out proper due diligence of TPPSP to take care of any reputational risks that the bank may be exposed to, in relation to the referral arrangements.

144. What disclosures must a Bank make to customers when selling a TPPS?

The Amendment Directions impose the following disclosure obligations:

a. **Role disclosure:** Para 85J prohibits a Bank from advertising or marketing any TPPS as its own product. While giving details of any TPPS Provider to a customer, the Bank must clarify its role in providing such financial product/service.
b. **Fee-based, no-risk-participation disclosure:** The Bank must explicitly disclose upfront to customers that the agency business is undertaken on a fee basis without any risk participation. (Para 58 of UFS Directions, as amended).
c. **Key Features Disclosure:** Para 85H requires the Bank, while obtaining consent for any product/service, to prominently disclose key features including fees/charges/interest rate, risks involved, financial commitment, lock-in conditions, and exit terms. Where the RBI or another financial sector regulator has prescribed a specific format (e.g., Key Facts Statement, MITC), that format must be used.
d. **Upfront disclosure by sales personnel:** Para 85N(1) requires employees, DSAs/DMAs, and representatives of any TPPS Provider deployed for sale or marketing activities in the Bank's premises to make upfront disclosure regarding fees/charges/interest rate while marketing/selling a product/service.
e. **Post-sale delivery:** Para 85T requires that on completion of a sale, a copy of the terms and conditions/agreement signed by the customer and the employee of the Bank or the TPPS Provider (as applicable) must be provided to the customer, either physically or digitally, in a secure manner maintaining confidentiality.

145. Is separate explicit consent required before offering or selling a TPPS to a customer? Can consent for the Bank's own product be treated as consent for a TPPS?

Yes, separate explicit consent is required. Para 85G of the RBC Amendment Directions requires that products/services, whether own or third-party, are offered/sold to a customer only with her/his explicit consent. Para 4(13A) defines "explicit consent" as a specific, informed and unambiguous indication of an individual's choice, given through a duly recorded/documented statement or clear affirmative action.

Consent for the Bank's own product cannot be treated as consent for a TPPS. Para 85G expressly requires that where consent is sought for more than one product on a single form, each product must be clearly enumerated and the customer must have the option to choose only the desired product(s)/service(s). A single checkbox covering multiple products is prohibited. Separate explicit consent must be obtained for each TPPS.

146. Does a Bank require separate explicit consent from the customer before sharing their personal data with a TPPSP?

Yes. Data sharing with a TPPSP for marketing or selling TPPS requires explicit consent under Para 85G, read with Section 6 of the Digital Personal Data Protection Act, 2023 (DPDPA). The consent must be specific to the purpose of sharing data with the identified TPPSP, a general privacy policy consent or loan agreement consent is insufficient.

Additionally, promotional communications regarding TPPS may be sent only with explicit consent (Para 85L), and the unsubscribe process must be easy and simple (Para 85M).

Reference is drawn to para 85G of the the Amendment Directions, which states that:

147. What language requirements apply to documents related to the sale of TPPS?

Para 85R of the Amendment Directions requires a Bank to ensure that all documents related to the sale of its own products/services, including terms and conditions, are available in the language of the region or in a language understood by the customer. In the case of TPPS, the Bank must ensure adherence to the instructions, if any, issued by the respective financial sector regulators on the subject.

148. Is a Bank required to conduct a suitability and appropriateness assessment before selling a TPPS? Can it rely on the TPPSP's own assessment?

Yes, and no. Para 85P of the Amendment Directions requires that before a financial product/service (whether own or third-party) is sold to an individual customer, its suitability and appropriateness for the customer must be determined by the Bank based on an analysis of the product’s features, risk-return attributes, time horizon, complexity, and fee structure, vis-à-vis the customer's age, income, level of financial literacy, and risk tolerance. This obligation applies

to all TPPS sold to individual customers, except those pre-determined by the Bank's policy as "suitable for all customers."

The Bank cannot rely solely on the TPPSP's assessment. Para 85P, read with Para 85ZA(2), mandates that wherever the financial sector regulator (SEBI for mutual funds, IRDAI for insurance, PFRDA for pension-linked schemes) has prescribed a specific suitability assessment methodology, the Bank must ensure adherence to that prescribed framework alongside RBI norms, not instead of them. The Bank retains independent responsibility for the suitability determination.

149. What constitutes mis-selling in the context of TPPS distribution?

In the context of TPPS distribution, specific mis-selling risks include: misrepresenting the TPPS as the Bank's own product (Para 85J); failing to conduct or document the suitability assessment (Para 85P); obtaining consent through dark patterns or pre-ticked boxes (Para 85X and Annex IIA); and compulsorily bundling the TPPS with the Bank's own loan or other product (Para 85V).

150. What is the liability of a Bank for mis-selling of a TPPS, and what remedies are available to the customer?

The Bank bears primary regulatory liability for mis-selling of a TPPS, regardless of the fact that the product was manufactured or issued by the TPPSP. For remedies available, refer FAQ 11 and 12.

151. Can a Bank's employees receive incentives from the TPPSP for marketing or selling TPPS? Can a Bank earn commission from the TPPSP in addition to fees?

No to the first question. Para 85U of the Amendment Directions expressly prohibits any incentive from being directly or indirectly received by the Bank's employees from the TPPS Provider for marketing/sale of TPPS.

On the second question, the UFS Amendment Directions permit agency business only on a fee basis without risk participation. A fixed fee or commission payable by the TPPSP to the Bank (as an entity) for distribution services is permissible, provided it does not create risk participation or misaligned incentives.

152. Can a Bank compulsorily bundle a TPPS (e.g., credit life insurance) with its proprietary loan product?

Refer FAQ No. 41 and FAQ 43

153. If a TPPS is mandated strictly as a "risk mitigant" for a loan, can the Bank compel the customer to purchase it exclusively from its specific TPPSP partner?

Refer FAQ No. 53.

154. Can a Bank deduct the premium or fee for a TPPS directly from the sanctioned loan proceeds without separate consent?

Refer FAQ No. 43

155. Who bears primary responsibility for customer grievance redressal for a TPPS - the Bank or the TPPSP?

The amended framework establishes a dual-layer grievance redressal obligation:

a. **TPPSP-level obligation:** The Bank must ensure, before entering into an agency arrangement, that the TPPSP has robust customer grievance redressal arrangements in place. (Para 58 of the UFS Amendment Directions, 2026).
b. **Bank-level facilitation:** The Bank may facilitate the redressal of grievances raised by customers in respect of TPPS. The Bank is the initial point of contact for the customer and must maintain its own mechanism to receive and process complaints relating to its conduct in marketing and selling the TPPS. (Para 4(1), UFS Amendment Directions, 2026).

156. What are the identification and conduct requirements for TPPSP representatives stationed at a Bank's premises? Must they execute the Bank's Code of Conduct?

Para 85E of the RBC Amendment Directions requires that any DSA/DMA sub-agent or representative of a TPPS Provider who is present within the Bank's premises for sale/marketing of the Bank's own or third-party financial product/service shall be distinguishable from the employees of the Bank, including through clear "on person" identification.

Para 85F further requires the Bank to put in place a Code of Conduct for sale and marketing of financial products/services, which shall be applicable to the Bank's own employees, DSAs/DMAs and their sub-agents, as well as representatives of any TPPS Provider deployed for the purpose in the Bank's premises. The Bank must obtain a written undertaking from TPPS Provider representatives to whom the Code of Conduct is applicable that they agree to abide by it. The agreement between the Bank and the TPPS Provider should cover penal/disciplinary action in case of violation of the Code of Conduct.

Additionally, Para 85O requires the Bank to ensure that its DSAs/DMAs and their sub-agents or representatives of any TPPS Provider deployed for sale or marketing activities in the Bank's premises do not falsely represent themselves as the Bank's employees.

157. Is there any restriction on the number of TPPSPs a Bank can tie up with for agency business?

The Amendment Directions do not prescribe any numerical restriction on the number of TPPSP relationships a Bank may maintain.

158. What policy and governance framework must a Bank put in place for agency business?

Paragraph 7(1) and (2) of the UFS Master Direction (which previously required a Board-approved policy governing insurance distribution and corporate agency business) has been omitted by Clause (ii) of the UFS Amendment Directions. The policy requirement is now consolidated under Para 85A of the RBC Amendment Directions. Policy requirements under sub-para (3) and (4) of Para 7 of the UFS Directions continue to be applicable.

Third parties acting as agent for the Bank

159. Who qualifies as a "third party acting as agent" for the Bank? What is the regulatory definition of a DSA/DMA?

Para 4(10B) defines a DSA/DMA as any entity or individual, other than the Bank's own employee, engaged by the Bank to sell, market, promote, or influence customers for the purchase of the Bank's own or third-party products/services, irrespective of the contractual label used (e.g., Loan Service Provider). The definition is substance-based i.e. What the third party does, not what it is called, determines classification.

160. Can a DSA engage sub-agents without the Bank's knowledge or approval?

No. Para 85B requires the Bank's policy to include control mechanisms and audit processes extending to sub-agents. Para 85F requires the Bank to obtain an undertaking from DSAs/DMAs covering their sub-agents as well, implying the Bank must have oversight of the sub-agent layer.

161. Is a Bank required to maintain and publicly display a list of its empanelled DSAs/DMAs?

Yes. Para 85C requires the Bank to maintain and display an up-to-date list of all empanelled DSAs/DMAs on its website, including name, type (corporate/individual), address, period of engagement, and products/services they deal with.

162. What is the timeline for updating the website registry when a DSA/DMA is onboarded, modified?

Para 85C requires the list to be updated within seven calendar days of any modification — whether onboarding, change of details, etc.

163. Are there mandatory qualification or certification requirements for DSA/DMA personnel selling regulated financial products?

Yes. Para 85D requires the Bank to ensure that DSA/DMA sub-agents engaged in the sale of financial products/services possess the requisite qualification/certification prescribed by the respective financial sector regulator.

164. How must DSA/DMA personnel identify themselves when operating within the Bank**'s premises?**

Para 85E requires any DSA/DMA sub-agent or TPPS Provider representative present in the Bank's premises to be clearly distinguishable from Bank employees, including through clear "on person" identification. Para 85O separately prohibits DSAs/DMAs from falsely representing themselves as Bank employees.

165. Can a DSA/DMA falsely represent themselves as a Bank **employee?**

No. Para 85O expressly prohibits DSAs/DMAs and their sub-agents from misleading customers about their identity or falsely representing themselves as Bank employees. Such misrepresentation constitutes mis-selling under Para 4(20A)(ii) and exposes the Bank to refund and compensation liability under Para 85Z.

166. What are the DSA/DMA's obligations regarding customers who have opted into "Do Not Disturb" registries?

Para 85N(7) requires DSAs/DMAs to provide the Bank with details of customers who have expressed their desire to be flagged as "Do Not Disturb" for promotional communications.

167. Can DSAs/DMAs send communications to customers in any mode or format they choose?

No. Para 85N(3) restricts DSAs/DMAs to communicating with customers only in the mode and format approved by the Bank. Unsanctioned communications, whether in an unapproved format, channel, or with unapproved content, would violate Para 85N(3) and expose the Bank to regulatory liability.

168. Can incentive structures for DSAs/DMAs continue after the Amendment Directions come into effect?

Yes, but Para 85U prohibits any incentive structure that creates pressure toward mis-selling, including disproportionate rewards for bundled sales, combo volumes, or aggressive selling.

Policy and Code Requirements

169. Is an RE required to formulate a separate policy under Chapter VIIIA?

Yes. Para 85A mandates that every Bank "shall put in place a comprehensive policy for advertising, marketing and sale of its own as well as third-party financial products/services." This is a new, express obligation under Chapter VIIIA. The Directions do not require a physically separate document; the policy may be integrated into an existing policy framework, provided it comprehensively and identifiably addresses all mandated elements..

170. Can the requirements be incorporated into an existing Fair Practices Code or internal policy?

There is no express prohibition in the Amendment Directions against incorporating Chapter VIIIA requirements into an existing policy instrument.

171. Does the policy require Board approval?

The Amendment Directions do not expressly require Board approval for the policy under Para 85A. However, since Chapter VIIIA is inserted into the RBC Directions, 2025, which already require a Board-approved Fair Practices Code, Board-level review and approval of the Chapter VIIIA policy (and any material amendments to it) is advisable as a matter of sound governance.

172. How frequently should the policy be reviewed?

The Amendment Directions do not prescribe a specific review frequency. However, Para 85Y requires the half-yearly feedback report to be "utilised for review of existing policies and features of financial products/services", thus, implying at minimum a half-yearly policy review cycle. As best practice, the policy should also be reviewed upon any material regulatory change, business model shift, or identification of systemic issues through audits, complaints, or feedback.

173. What minimum matters should be covered in the policy?

Para 85A and 85B together prescribe the following mandatory minimum contents:

a. Under Para 85A (all Banks):
    i. Criteria for determination of suitability and appropriateness of products/services offered to customers
    ii. Feedback mechanism
    iii. Customer compensation framework for established cases of mis-selling
b. Under Para 85B (Banks using DSAs/DMAs):
    i. Eligibility criteria for engagement of DSAs/DMAs
    ii. Due diligence at the pre- and post-engagement
    iii. Training requirements for DSA/DMA sub-agents
    iv. Functions/activities assignable to DSAs/DMAs
    v. Performance evaluation standards
    vi. Inspection/audit and control mechanisms
    vii. Procedures and penal actions for non-compliant DSAs/DMAs

Additionally, to give operational effect to the remaining provisions of Chapter VIIIA, the policy should cover: consent architecture (Paras 85G–85I), advertising standards (Paras 85J–85M), dark pattern prevention (Para 85X), incentive design principles (Para 85U), and compulsory bundling prohibitions (Para 85V).

174. Should the policy cover both proprietary and third-party products?

Yes. Paragraph 85A expressly requires the comprehensive policy to cover advertising, marketing and sale of its own as well as third-party financial products/services. The policy must therefore address both proprietary products of the Bank and third-party financial products offered on behalf of TPPS Providers.

175. Should separate policies be maintained for different product categories?

No. The Directions contemplate a single comprehensive policy under para 85A. Separate policies for different product categories (e.g., loans vs. insurance) are not mandated. However, because Paragraph 85ZA(2) requires concurrent compliance with sector-specific regulators (e.g., SEBI, IRDAI, PFRDA), it is advisable to maintain a master policy supported by product-specific Standard Operating Procedures (SOPs), annexures, or addendums.

176. What governance structure should be established for implementation of the policy?

The Amendment Directions do not prescribe a specific governance structure. However, Para 85B requires "control mechanisms to ensure compliance with statutory requirements" and Para 85Y requires feedback to be collected by a "department/vertical not associated with sale of products/services". These provisions together imply a functional separation between the sales/business function and the compliance/oversight function.

177. Should the policy prescribe responsibilities of business, compliance and audit teams?

Yes. Para 85B requires policy-level control mechanisms, inspection/audit, due diligence, performance standards, and procedures for non-compliance; para 85Y also requires independent feedback collection by a non-sales vertical personnel. As a matter of sound governance, roles of business (execution), compliance (oversight), and audit/independent review should therefore be expressly stated in the policy.

178. Should the policy include escalation mechanisms for breaches?

Yes. Para 85B requires procedures to be followed and penal actions for non-compliant DSAs/DMAs; para 85F requires contractual penal/disciplinary action for breach of Code of

conduct of Banks. The policy should therefore map breach escalation, ownership, timelines, reporting lines, and closure.

179. Is the Bank required to formulate a Code of Conduct for DSAs/DMAs?

Yes. Para 85F expressly requires a Bank to put in place a Code of Conduct for sale and marketing of financial products/services applicable to its employees, DSAs/DMAs, their sub-agents, and certain TPPS representatives.

Prior to assigning any sale/marketing related activities, the Bank must obtain a written undertaking from DSAs/DMAs, covering themselves and their sub-agents, that they agree to abide by the Code. A similar undertaking is required from the Bank's own employees and TPPS Provider representatives to whom the Code applies. The agency agreement between the Bank and each DSA/DMA must expressly provide for penal/disciplinary action in case of Code violations. The Bank must display the Code of Conduct on its website for public reference.

180. What minimum matters should be covered in the Code of Conduct?

At minimum - upfront fee/charge/rate disclosure, communication of terms, approved communication modes and calling/visit hours, grievance contact details, privacy/confidentiality, DND handling, no visits without explicit consent, no misleading/coercive selling, no false/unauthorised commitments, no impersonation of Bank employees in line with Paras 85N and 85O should be treated as the minimum content floor.

181. Is the Code of Conduct required to be published on the Bank's website?

Yes. Para 85F expressly requires the Bank to display the Code of Conduct on its website for public reference**.**

182. Does the Code apply to sub-agents engaged by DSAs/DMAs?

Yes. Para 85F expressly extends the Code to DSAs/DMAs and their sub-agents. The undertaking taken from the DSA/DMA must also cover its sub-agents.

183. How should compliance with the Code be monitored?

The Code should also contain the ecosystem to ensure compliance, and the manner of checking non compliance, reporting the same and the follow up action.

184. If a Bank is only selling/marketing insurance as Third Party Product and have framed the Open Architecture Policy, do the Company still need to frame "Code of Conduct for marketing, Sale and advertising of financial products?

Paragraph 20 of the Insurance Regulatory and Development Authority of India (Registration of Corporate Agents) Regulations, 2015 ("Corporate Agent Regulations"), which prescribes the requirements relating to the Open Architecture Policy. In terms of paragraph 20(1), the Open Architecture Policy is required, at a minimum, to address aspects such as the approach to be adopted by the corporate agent in relation to single or multiple tie-ups, details of tie-up partners, business mix, types of products offered, grievance redressal mechanisms, and reporting requirements.

However, the aforesaid requirements do not specifically address certain key aspects envisaged under the Amendment Directions, including, the criteria for determining the suitability and appropriateness of products/services offered to customers, mechanisms for obtaining and evaluating customer feedback, measures for addressing instances of mis-selling, customer compensation frameworks, and other controls relating to the marketing, sale, and advertising of financial products.

Accordingly, the Open Architecture Policy, in its current form, may not be sufficient to fully address the policy requirements prescribed under the Amendment Directions in relation to the marketing, sale, and advertising of financial products. Therefore, the Company may either formulate a separate policy governing these aspects or suitably amend its existing Open Architecture Policy to incorporate the additional requirements and align it with the expectations under the Amendment Directions

185. What actions should be taken for violations of the Code?

The DSA/DMA agreement must provide for penal/disciplinary action for Code breaches under para 85F, and the policy must prescribe procedures and penal actions under para 85B.

186. Should the Code prohibit aggressive sales practices?

Yes. Para 85N(9) prohibits misleading or coercing the customer; para 85U prohibits incentive structures that create mis-selling risk, Para 85X prohibits dark patterns. The Code should therefore expressly ban pressure selling, coercive scripts, or manipulative nudges.

187. Should the Code address customer privacy and confidentiality obligations?

Yes. Para 85N(6) expressly requires respect for customer privacy and disclosure to others only with explicit request/consent; para 85T requires secure delivery of documents maintaining confidentiality.

The Code should additionally address the prohibition on sharing customer data with TPPSPs without explicit consent. It can include the restriction on using customer information for purposes beyond those for which consent was obtained, the obligation to comply with the

Bank's data protection and privacy policies, and the prohibition on accessing or using customer contact information for unsolicited promotional communications without explicit consent (refer Paras 85G, 85L, 85N(6), 85T, and 85L)

188. Is training mandatory for DSAs/DMAs and their personnel?

Yes, at least for sub-agent coverage expressly. Para 85B requires the policy to cover training of DSA/DMA sub-agents. In practice, the same training framework may extend to all DSA/DMA personnel engaged in customer-facing sale/marketing, as the Bank's liability for their conduct is identical regardless of whether they are classified as the DSA/DMA itself or as sub-agents.

189. What subjects should such training cover?

Training should be designed to ensure that DSA/DMA personnel can comply with the full Chapter VIIIA framework. Training should cover, at minimum - consent architecture (85G, 85I), disclosures (85H, 85J, 85K), conduct standards and contact rules (85N, 85O), suitability where relevant (85P), bundling/funding restrictions (85V, 85W), dark patterns (85X/Annex IIA), grievance handling and mis-selling consequences (85Y, 85Z), and sectoral rules under 85ZA.

190. Is certification mandatory for personnel selling regulated products?

Yes, Where prescribed by the relevant financial sector regulator. Para 85D requires the Bank to ensure that employees or DSA/DMA sub-agents engaged in sale of own or third-party products possess the requisite qualification/certification, if any, prescribed by the respective regulator.

191. What records should be maintained regarding DSA engagement and monitoring?

Para 85B requires the policy to cover due diligence, training, performance evaluation standards, inspection/audit, and control mechanisms. Para 85C requires an up-to-date website list of empanelled DSAs/DMAs. Para 85F requires undertakings and agency agreements. Para 85G requires consent records to be preserved for one year from cessation of the contractual agreement.

192. Is periodic audit of DSAs/DMAs required?

Yes. Para 85B expressly requires inspection/audit and control mechanisms to ensure statutory compliance. Where DSAs/DMAs use digital interfaces, para 85X additionally requires user testing and periodic internal audit for unfair features/dark patterns.

193. Can incentive structures for DSAs continue after implementation of the Directions?

Yes, but subject to a material constraint. Para 85U of the RBC Amendment Directions requires the Bank to ensure that its policies and practices do not create incentives for mis-selling of products/services, whether its own or offered on behalf of a third party. It further prohibits any incentive from being directly or indirectly received by the Bank's employees from the TPPS Provider for marketing/sale of TPPS. Volume or coercion linked rewards would therefore violate the provisions. Outcome based, suitability consistent structures would be safer.

194. If the Bank is only selling Insurance as Third Party Product and have framed the Open Architecture Policy, does the Company still need to frame "Code of Conduct for marketing, Sale and advertising of financial products"?

Yes. The open architecture policy would not substitute the requirement of Code of Conduct for sale and marketing of financial products / services as given under para 85F. If the Bank is engaged in sale/marketing of financial products/services, para 85F independently requires a Code of Conduct covering employees, DSAs/DMAs, sub-agents, and certain TPPS representatives.