

04:05 PM 17 JAN MARKET STATS ▾	SENSEX 27,236 ▼ -52.51	NIFTY 50 8,398 ▼ -14.80	GOLD (MCX) (Rs/10g.) 28,750 ▲ 221.00	USD/INR 67.95 ▼ -0.15	CREATE PORTFOLIO	Download ET MARKETS APP	CHOOSE LANGUAGE ENG
--------------------------------------------	---------------------------	----------------------------	-----------------------------------------	--------------------------	-------------------------	--------------------------------	------------------------

RBI keeps a watch, demands P2P lending only via bank accounts

By [Pratik Bhakta](#), ET Bureau | May 27, 2016, 04:16 AM IST

[Post a Comment](#)

MUMBAI: The Reserve Bank aims to keep a close check on peer-to-peer (P2P) lending, which has been booming globally, by stipulating that anyone looking to lend through such online platforms has to be a bank account holder. With banks enforcing stringent know your customer (KYC) norms, this should ensure that fund sources can be tracked and that the P2P route won't be used to launder money.

Budget 2017:
[Can Arun Jaitley make you & economy happy?](#)
[Click for our special Budget 2017 coverage](#)

This was one of the proposals made by RBI at a meeting between representatives of the P2P lending industry and a senior RBI official last Monday.

Lending a Hand

What does RBI say?



P2P lending platforms to be registered as NBFCs (₹2 cr minimum capital)

THESE lending platforms won't be allowed to take deposits

P2P lending promotes alternative forms of finance and can soften rates of interest

SUCH lenders have to be registered as companies in India with a brick-and-mortar office

While P2P lenders in India are currently unregulated, the RBI recently issued a consultation paper on rules for the sector and sought suggestions on this before May 31. The meeting was held as part of this exercise. P2P lenders are online platforms that bring together individuals who seek credit and investors ready to meet that demand.

The platforms encourage a number of investors to come together and lend money to a single borrower. The rate of interest usually gets decided through reverse bidding.

The RBI wants to make it mandatory that all transactions between borrowers and lenders are conducted through banks but the regulator is not expected to set an upper limit for the amounts that can be loaned through the platforms. The regulations will be aimed at simplifying the process of recognition for the newly emerging lending sector, experts said.

"The primary sense that we got from RBI through this meeting is that regulations are going to come in the next few months," said one of the people cited above. "They are watching this sector keenly because of our ability to address the increasing credit demand of the country, especially through a less cost-intensive manner with technology."

India's P2P lenders number around 30 online platforms, including Delhi-based Faircent, i2iFunding and Mumbai-based Lenden Club. A few weeks ago, JM Financial picked up a

9.84% stake in Faircent and i2iFunding raised around Rs 2 crore.

Faircent has more than 6,000 borrowers on its platform and has processed loans worth Rs 5 crore in the last 20 months of its operations. i2iFunding has around 200 investors and has processed Rs 50 lakh of loans in the six months of its operations.

While enjoying rapid global growth, P2P lending has raised concerns among regulators over the quality of borrowers and other issues. One of the top companies in the sector, US-based [Lending Club](#), recently saw the exit of CEO Renaud Laplanche over alleged violations related to the sale of loans. While the Indian authorities have similar fears, the regulator doesn't want to stand in the way of innovative methods that can widen access to money, experts said.

Given the worries, the P2P sites have asked RBI that they be allowed to open a nodal account for every borrower to make monitoring easier. "We have requested RBI to allow us to use a nodal account with the bank for exchange of money between lenders and the borrowers, very much along the lines of an escrow account that prepaid payments instruments (PPI) licence holders have," said one of the participants at the meeting who didn't want to be named.

"We will not be able to touch funds in these accounts but any kind of money movement would trigger an alert in our systems." Such accounts would allow the platforms to keep an eye on the repayment behaviour of borrowers and the manner of withdrawal, he said.

This will help the reporting of defaults or unusual behaviour by borrowers to credit bureaus in real time, he added. "The RBI has also clarified that since the P2P lending websites would be categorised as a special form of non-banking finance company, they would get automatically integrated with the credit bureaus, which would make reporting cases of defaults easier," said another founder of a P2P platform who attended the meeting.

He further added that the platforms are hoping to integrate with the unified payments applications of banks in order to smoothen the transfer of funds between borrowers and lenders.

Stay on top of business news with The Economic Times App. [Download it Now!](#)

Live Market	News	Portfolio	Mobile	Live TV	Newsletter	Commodities	Speed	QnA	Blogs	Alerts	RSS
Other Times Group news sites Times of India इकनॉमिक टाइम्स मुंबई मिरर टाइम्स Mumbai Mirror Times Now Indiatimes नवभारत टाइम्स महाराष्ट्र टाइम्स वैश्या कन्सल्टिंग Lifehacker Gizmodo Eisamay IGN India NavGujarat Samay	Living and entertainment Timescity iDiva Zoom Luxpresso Gaana Happytrips Cricbuzz Get Smartapp	Hot on the Web Income Tax Slabs Budget 2017 Sensex, Nifty Live Income Tax Calculation UP & Punjab Assembly Elections 2017 Demonetisation Gold Rate	Services ads2book Gadgetsnow Free Business Listings Simplymarry Astrospeak Timesjobs Magicbricks Zigwheels Timesdeal dineout Filmipop Remit2india Gaana Greetzap Techradar Alivear Google Play								