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Market Watch

Loan apps turn nightmare for borrowers

BY [ASHWIN MANIKANDAN](#) & [SALONI SHUKLA](#), ET BUREAU | UPDATED: JUN 03, 2020,
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Mumbai: Pravin Kalaisevan, owner of a travel company, was in for a shock on March 25, two days after the lockdown first began, when his father allegedly received a call from a collection agent from CashBean, a payday loan app, claiming that his son was a defaulter.

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Kalaisevan had borrowed 15,000 from the loan app for a week to pay for his mother's sudden illness. "I had a temporary liquidity issue and had to pick up a short-term loan. On the due date, I forgot to pay up. So, the loan company hacked into my phone and secured my father's contact to harass him," he said.

CashBean didn't respond to ET's detailed query on the matter.

Kalaisevan is not alone. Hundreds of customers have taken to social media to complain of intimidation and harassment by collection agents of online loan applications.

They claim that cyberbullying techniques such as naming and shaming, intimidation using fake legal notices and repeated 'harassment' calls are being made by some companies seeking missed dues on short-term loans availed by customers during the Covid-19 pandemic.

A message sent to one such 'defaulter' reads: "We have started calling your 30 person-friend-relatives and family members asking them why



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Separately, a fake document created by one such lender claims that non-payment of dues would lead to probes by the CBI and RBI. Similarly, mails forged in the name of the central bank, seen by ET, claim that an RBI team from financial supervision tried to reach the borrower but owing to unavailability of the customer, late repayment charges would be levied.

The pandemic-induced economic slowdown has triggered mass-defaults among several sections of customers in both urban and rural demographics, making operations of several digital lenders unviable. This has caused some lenders to go aggressive on their collection strategies, irking some customers while distressing others.

After reviewing screenshots of such WhatsApp messages shared by customers, app reviews on Google Playstore and Twitter threads, ET has sent detailed questionnaires to a dozen such companies allegedly resorting to intimidation techniques seeking repayment. These include CashBean, LoanFront, Mad-Elephant, CASHe, mPokket, CashBus, CashMama, Timely Cash, Robocash, Kissht, Loantime and UCash.

As per an industry source, the number of such companies could be higher than 50, but ET could not independently verify all of them.

Responding to ET's queries, some of these lenders denied claims of securing remote access to customers' contact lists without permission. They said that calls may have been placed only to references provided by customers themselves during the signing up process.

"In the current situation, we have extended all possible benefits to our customers...and only where we are unable to reach them, we reach out to the reference provided to us during the sanctioning of the loan and request the references to share the information with the end user," Robocash said, responding to ET's query.

Similarly, loan app Kissht said that it has offered a moratorium to 1.5 lakh customers. "The calling has been largely around reminders, moratorium and practices to sail through tough times. We don't have access to the customer contact books, nor do we engage with calling other than the provided references," said a Kissht spokesperson.

Ketal Patel, CEO of CASHe, said that bounce rates on loans had increased from 10% earlier to over 30-40% during the lockdown weeks of

The issue has not gone unnoticed within the [digital lending industry](#). Digital Lenders Association of India (DLAI), an industry body of over 80 digital lenders, has recently redrafted its 'code of conduct' for members to include ethical collection practices.

A DLAI spokesperson, on the condition of anonymity, said that the redrafting was done following incidents of customer harassment coming to light, as high default rates triggered by the [coronavirus](#) pandemic put the financials of several smaller NBFCs under stress.

"The member will ensure that there is no undue harassment or intimidation (physical or verbal) of customers, including practices such as calling (or threatening to call) any family member of the customer or any person associated with the customer," reads a newly introduced section of the DLAI code of conduct.

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