

Fintech Association for Consumer Empowerment (FACE) strengthens its SRO work by adopting a new Code of Conduct, votes in new Member Directors

- FACE member elect AA of XX and BB of YY as Member Directors for the association

Mumbai, 15 September 2023: To further strengthen the customer protection measures amongst members and the fintech digital lending industry, the Fintech Association for Consumer Empowerment (FACE) membership has adopted an upgraded Code of Conduct (Code) at its 3rd Annual General Meeting (AGM) which was held in Mumbai today. FACE members also voted in the new Member Directors, *AA of XX and BB of YY*.

FACE is the digital lenders' industry body (within the regulatory purview) which focuses on customer empowerment and being the voice of the digital lending ecosystem. FACE started with self-governance as its core with high standards of behaviour to enhance customer engagement and advance customer protection.

As its first initiative, immediately after being formed in Sep 2020, FACE formulated its Code in Dec 2020 for its members, ahead of regulatory norms for such a principle. Much has evolved in a fast-moving digital lending ecosystem, including the regulatory framework with digital lending guidelines (DLG) in September 2022 and the growing resonance among stakeholders on the need for an SRO for the industry.

FACE members recognise with emerging technologies in financial services, being agile, innovative and customer-centric is key to successfully serving the customers. With this in mind, FACE members convened to upgrade its Code to reflect and meet the evolving expectations of consumers and other stakeholders. The Code has been in the works for several months with extensive feedback and buy-in from members and the wider stakeholder community and benchmarking it with global practices and industry segments.

Code is a practical live-in document, demonstrating the members' commitment to prioritising and safeguarding customer interests, prosperity and well-being. The Code reflects the rights and standards customers are entitled to as guarantees that FACE members *voluntarily* commit to.

The upgraded Code is based on the universal pillars of customer protection and is formulated keeping the customers in mind, with fairness, good faith, and reasonability as underlying themes. It lays out the Adherence Framework member companies and FACE taking responsibility for compliance. It builds on and complements the regulatory norms as the bedrock in driving a robust lending ecosystem and adopting responsible lending with clear and measurable rules for all market participants. Members are obligated to adopt and follow the Code within three months.

Commenting on the launch of the new Code and appointment of the new Member Directors, Ram Rastogi, Chairman at FACE said, *"The promise and long-term sustainability of digital lending hinges on consumer trust and confidence which can only be achieved through an inclusive, appropriate, transparent, responsible, and secure lending ecosystem. The regulators are clearly encouraging the creation of a Self-Regulatory Organisation (SRO). Our revised Code, within the regulatory framework, is an ambitious self-regulation standard committed to advancing consumers' interests and safeguarding them against harm and risks in a fast-evolving market. We are confident that our member companies' adoption of the new Code will contribute to driving a robust and responsible lending ecosystem.*

"I am also pleased to welcome AA of XX and BB of YY as the new Member Directors and look forward to working closely with them to scale digital lending with world-class standards and contribute to public policy objectives. Transition to new Member Directors is a testimony of FACE's claim to robust governance

standards within the association and inclusive membership where all members have equal opportunities to contribute to industry agenda.”

Seven principles of the new Code are as follows:

1. **Inclusivity:** All member companies should adopt lending models which are non-discriminatory and treat the consumers with integrity, dignity, empathy and respect.
2. **Appropriateness:** All member companies must provide and collect appropriate information to give out the most suitable credit services without creating indebtedness.
3. **Transparency:** All member companies must ensure that all important information regarding the contract, terms & conditions, modes of repayment etc. are provided to the consumers in a simple, legible, and unambiguous manner in the language of the consumer's choice.
4. **Privacy:** All member companies must only collect proportionate and reasonable consumer data necessary for the clearly stated purpose.
5. **Promotion:** All member companies must advertise responsibly, building the knowledge of the customers and avoiding false promises.
6. **Recoveries:** All member companies must strive for an amicable resolution of repayments and propose measures and methods of payment that will allow the repayment in the least inconvenient manner for the consumer.
7. **Redressal:** All member companies must institute a user-friendly, timely, clear, and robust redressal mechanism while at the same time educating the consumers about their rights and responsibilities

For Enforcement, there is a two-layer framework with member companies taking first and foremost responsibility to comply with the Code and agree to scrutiny by FACE for compliance. At the second level is FACE, which, through an Enforcement Committee, will provide guidance and oversight on members' adherence to the Code and deal with specific non-adherence within an approved framework and appellate mechanism. This is supported by the FACE Board, which has a majority of Independent Directors with a deep understanding of the fintech ecosystem and stands by the principles articulated in the Code.

FACE's growing (tripled last year) membership (RBI-regulated entities and fintech companies working in partnership with RBI Regulated entities) provides credit to underserved retail and business segments and disbursed over 7 Cr loans in FY 22-23. FACE applied to become an SRO with the RBI in January of last year.