

# The Hindu & BL Editorials

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## Digital demons



### **The RBI needs to do more than issue warnings to the public about illegal digital lending applications**

If the rapidity with which Indians have embraced digital financial transactions is a positive offshoot of Covid-19, it has also had an unsavoury fallout in the mushrooming of unauthorised digital lending apps. Lately, reports have emerged of borrowers from these apps being driven to suicide, owing to their usurious interest rates and extreme recovery practices. Armed with a battery of permissions to access borrowers' call records, contact books and even photo archives while disbursing their 'easy' loans, these lenders are said to call up borrowers' contacts for naming and shaming them, and even harassing women contacts. While legitimate digital lending platforms meet a felt need of borrowers with no banking access with quick payday loans, the dubious ones seem to lure them into a debt trap with processing charges as high as 20 per cent and interest rates up to 50 per cent. These are blatant violations of RBI's regulations and its fair practices code, which requires a paper trail and a grievance redress mechanism for every loan. Unauthorised digital lending also creates significant regulatory arbitrage against licensed banks and NBFCs which comply with the rulebook on ownership, net worth and lending practices. The RBI may, therefore, need to do more than warn the public about not falling prey to such illegal entities. It should actively shut them down, involving the law-and-order machinery, if necessary.

RBI regulations do not allow any entity to undertake lending activity without registering with it as a bank or an NBFC or with a State government as a money

lender. But many digital lending apps appear to have side-stepped these rules, either by disguising their loans as purchase transactions or entering into agreements with registered NBFCs or banks to function as 'selling agents'. The RBI tried to plug this loophole in June 2020, by decreeing that every digital lender must disclose the name of the bank/NBFC originating the loan, but these guidelines seem to be observed more in the breach. While aggrieved borrowers from brick-and-mortar moneylenders may not find it easy to escalate their complaints to the RBI, it stands to reason that borrowers from lending apps are digitally literate, and thus capable of airing their grievances to the RBI through email or its awareness platform — Sachet.

While the regulator is right to warn borrowers to verify the credentials of banks or NBFCs that back lending apps, it must also make the former's task easier. A check on the RBI website reveals 12 different categories of NBFCs, with over 9,200 firms listed under 'Investment and Credit' entities alone. Expecting consumers to wade through such data to identify illegal entities is unrealistic. A separate registration for digital lending apps, as for P2P platforms, would make the task easier. The Centre and the RBI must also exert pressure on platforms such as Google and Apple to actively monitor user reviews on lending apps and to take them down if they're found to be violating the law.

## Moribund governance: On Ghaziabad disaster

**The Ghaziabad disaster underscores the need for regular audit of civic projects**

Even to those familiar with the anarchy that characterises India's public spaces, the **collapse of a newly-built shelter in a crematorium in Muradnagar**, in U.P.'s Ghaziabad district, killing at least 24 people, is a shock. A group attending a funeral sheltered from rain in the structure, when its roof crumbled. The deaths and injuries have left families distraught. Since women are not part of funeral rites in crematoria, they came to know of the fate of the men much later. A token solatium has been announced by the U.P. government for the next of kin of the dead and relief measures for others, but the loss of breadwinners who were in low-paying jobs has left the family members destitute. The State has shown great alacrity in arresting four people including a junior engineer, besides the contractor, citing culpable homicide, causing hurt and endangering lives. **There are indications that it may use the National Security Act against some of the accused.** Such measures cannot produce consistent improvement to governance, but the Yogi Adityanath government's favoured image is that of strong enforcement, which it has sought to demonstrate time and again by shooting down in 'encounters' those with a criminal record. That approach can do little to improve U.P.'s standing. The **Ghaziabad**

**disaster is clearly the product of a system that lacks transparency and audits,** and does not yield to quick fixes or measures meant to aid deterrence.

Every year, the monsoon extracts a penalty in the form of collapsed buildings in several States. Just over three years ago, several people died when part of a bus stand caved in near Coimbatore in Tamil Nadu. Appalled by the 41 deaths in a building disaster at Bhiwandi, Maharashtra in September last year, the Bombay High Court framed questions for municipal authorities, including the basic premise: are those in authority completely helpless in preventing the collapse of structures and stopping the loss of life? The court also emphasised that citizens have a right to live in safe buildings and environment, within the meaning of Article 21. What happened in Ghaziabad is particularly deplorable, as the cremation ground is an essential facility, and entirely within the ambit of public authorities to maintain. There are suggestions that the structure was poorly designed, lacking stability due to use of inferior materials, while the contractor had several projects assigned to him in the district. These and other charges, including favouritism involving politicians, are best probed by an independent judicial member. Mr. Adityanath should realise that U.P., a laggard on many development metrics, can transform itself only through rule of law and efficient implementation of public projects. The horror of Muradnagar should impel his government to act.

## England in lockdown: On rapid spread of COVID-19 variant

**The rapid spread of the new COVID-19 variant should alert other countries to remain vigilant**

In a bid to control the **spread of the highly transmissible new COVID-19 variant (VOC 202012/01)**, the **U.K. announced on Monday a fresh lockdown in London** and southeast England, which is expected to be in force till mid-February. The decision comes after much dithering; the scientific advisory panel had recommended days before Christmas that the government consider a national lockdown, including shutting down educational institutions. As on January 4, the U.K has reported 2.7 million cases and over 75,500 deaths, the second-highest toll in Europe. More than 50,000 new cases have been reported daily since December 29, 2020, with a peak of nearly 59,000 cases on January 4 and over 400 deaths daily. On Monday, more than 26,000 COVID-19 patients were admitted in hospitals, an increase of 30% from the previous week. Though the new variant does not cause increased disease severity or mortality, a surge in cases and hospitalisation can lead to more deaths. It is more transmissible, the reason why the reproduction number (number of people a person can infect) is 1.5-1.7; the spread is considered to be under control when the reproduction number is less than 1. Based on an analysis of cases and genome sequences of nearly 44,500 samples collected from England

between September 21 and December 13, it was found that even during the previous lockdown, the new variant spread in many locations. This even as fresh cases were generally dropping due to reduced spread of the then dominant strain.

There is evidence that the earlier lockdown was effective in containing the previously predominant strain, suggesting that the new variant grew in absolute terms. The rapid spread of the new variant even during the previous lockdown might not reflect a general failure of control measures but highlights the inherent nature of the new variant to rapidly spread given its higher transmissibility. That areas with slower baseline virus spread also reported a slightly reduced spread of the new variant suggests that it is indeed possible to reduce if not suppress the transmission of the new variant if the lockdown is stricter and compliance is better. It is for this reason that unlike in the previous lockdown, schools and universities too are to be closed now. The new variant appears to affect a greater proportion of individuals under 20 years. The selective spread among the young might probably be more because educational institutions were open during the previous lockdown than due to the inherent nature of the virus. Since a resurgence of the new variant is likely when the lockdown is lifted, the focus is on accelerating vaccine roll-out so that much of the population is protected and transmission is cut. The spread of new variants should alert other countries, particularly South Africa where a problematic mutation has been found, to remain vigilant.