Instant Loan Apps Case

What is the issue?

Recent suicide events related with humiliation and blackmailing by tele-callers and recovery agents of a mobile app instant loan company has raised concerns.

What is the instant loan apps case?

- It is a racket in which instant personal loans are offered through mobile apps at exorbitant interest rates by unauthorised lenders.
    - A woman employee of Telangana Agriculture Department and a software engineer died due to the above.
- Of the numerous apps that are available on Google PlayStore, most do not have any tie-up with any bank or Non-Banking Financial Institution.
- A customer can avail a loan within a few minutes.
- It only requires uploading personal details, 3 months' bank statement, Aadhar card copy and PAN card copy on the app.
- Loans from as less as Rs 1,000 to Rs 50,000 can be availed for 7 days.
- Many people who lost their jobs during the pandemic or who require money urgently borrowed money from the apps.
- They ultimately got caught up in a vicious cycle of debt trap.
- Unable to bear the humiliation, two persons have died by suicide, while several people lodged police complaints.

How did it work?

- After a customer downloads an app and uploads the documents demanded, the loan amount is credited into the bank account.
- The phone numbers of the customer as well as his/her family members are shared by the app company with others.
- After a customer avails one loan, tele-callers and agents of about 20-30 similar apps call the customers and lure them into availing more loans.
- Their eligibility is assured because their credentials are verified by the company from which they borrowed the first loan.
- Many customers fell for this trick and ended borrowing up to Rs 50,000.
- While the interest rate is 35%, after the due date, a flat Rs 3,000 penalty per day is levied on the customer.
- Many customers ended up borrowing more to repay a previous instant loan.

How were the victims affected?

- The agents levy hefty penalties for failure or delay in repayment of loan.
- Apart from this, they use a combination of coercion, blackmail, and threats for payment of dues.
- After issuing loans to customers from their app for seven days, they divide all the customers into different categories of buckets:

  i. on a due date, it is called as D-0 bucket
  ii. after the due date from day 1 to day 3, it is S1 bucket
  iii. from day 4 to 10, it is S2 bucket
  iv. from day 11 to 30, it is S3 bucket

- The treatment of a customer depends on which bucket the customer is in.
- Immediately after the due date, a customer will be harassed with dozens of calls.
- During S2 bucket, abusive calls will be made to family members.
- Later, threats and blackmail start.
- Finally, they access the contacts of relatives and friends of the customers and send them WhatsApp messages defaming the defaulter.
- The police in Telangana and Andhra Pradesh have identified the mobile apps which are involved in this.
- The Police have also issued an advisory not to avail loans from these 30 mobile apps.

Source: The Indian Express