



RBI Intensifies Scrutiny on P2P Lending Platforms

[Source: BS](#)

The [Reserve Bank of India \(RBI\)](#) has intensified its regulatory scrutiny on [Non-Banking Financial Company-Peer to Peer Lending Platform \(P2P\) lending platforms](#) following the discovery of multiple **regulatory violations**, including high levels of [non-performing assets \(NPAs\)](#).

- RBI identified violations, including unauthorised deposit acceptance and **unusually high balances in escrow accounts** raised concerns during RBI's review.
- Some P2P platforms **allowed lenders to recall funds prematurely**, replacing them with new lenders who were **unaware of the loans they were taking over**, mimicking **Ponzi schemes**.
 - A Ponzi scheme is an investment fraud that pays existing investors with funds collected from new investors.
 - The Ponzi scheme is named after **Charles Ponzi**, who in 1919 in Boston, United States ran a fraudulent investment scheme promising to double investment in 90 days.
- P2P lending platforms **enable individuals to lend directly to borrowers** via RBI-regulated NBFCs, facilitating quick loan disbursements for short-term needs.
- RBI's guidelines state that NBFC-P2P entities should only act as **intermediaries without assuming any credit risk**, a norm that was found to be violated.
 - P2P platforms cannot promote peer-to-peer lending as an investment product with features like assured minimum returns or liquidity options.

[Read more...](#)

PDF Reference URL: <https://www.drishtiias.com/printpdf/rbi-intensifies-scrutiny-on-prp-lending-platforms>