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RBI NBFC

Responsible Business Conduct

(Second Amendment Directions, 2026)

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RBI Tightens Sales & Marketing Governance for NBFCs

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- Comprehensive rules on advertising, marketing and sale of financial products.
- Applicable to own products as well as third-party products.
- Effective from: 1 January 2027.
- Focus areas: prevent mis-selling, improve transparency, strengthen customer protection and accountability.

Board & Senior Management Accountability

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- NBFCs must formulate a comprehensive policy covering product suitability, customer feedback and compensation for mis-selling.
- Policy must also include Direct Selling Agent (DSA) / Direct Marketing Agent (DMA) governance, monitoring, audits, training and disciplinary actions.
- Governance of product sales becomes a Board-monitored compliance responsibility.

New Obligations for DSAs & Marketing Agents

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- Public list of all DSAs/DMAs to be maintained on the website.
- List to be updated within 7 days of any change.
- Pre and post-engagement due diligence is mandatory.
- A Code of Conduct and compliance undertakings required from agents and sub-agents, employees of the NBFC, DSA/DMAs

Explicit Customer Consent Becomes Mandatory

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- Products can be sold only with explicit, informed and unambiguous consent.
- Customers must be able to choose each product separately.
- Consent records must be preserved for one year after contract closure.
- Default option in digital journeys must be "No / I Do Not Agree".

Advertising & Marketing Under RBI Lens

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- Third-party products cannot be marketed as the NBFC's own products.
- Advertisements must be clear, factual and transparent.
- Fees, charges and interest rates must be disclosed upfront.
- Promotional communication allowed only with customer consent.

Ban on Mis-selling & Compulsory Bundling

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- Mis-selling now includes unsuitable sales, incomplete disclosures and sales without consent.
- Compulsory bundling of products is prohibited.
- Customers must have freedom to choose service providers for risk mitigants such as insurance.
- Sales targets cannot override customer suitability.

Dark Patterns Officially Prohibited

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- RBI explicitly prohibits dark patterns in websites and mobile apps.
- Examples include false urgency, basket sneaking, confirm shaming and forced actions.
- NBFCs and DSAs must periodically review and audit digital interfaces.
- Customer decisions must not be manipulated through design tricks.

Feedback and Compensation to Customers

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- NBFC must seek customer feedback within 30 days of any sale to confirm they understood the product
- Customers can flag mis-selling within 30 days of receiving their signed terms
- If mis-selling is established, the entire amount is refunded and any resulting loss is compensated

Our takeaway

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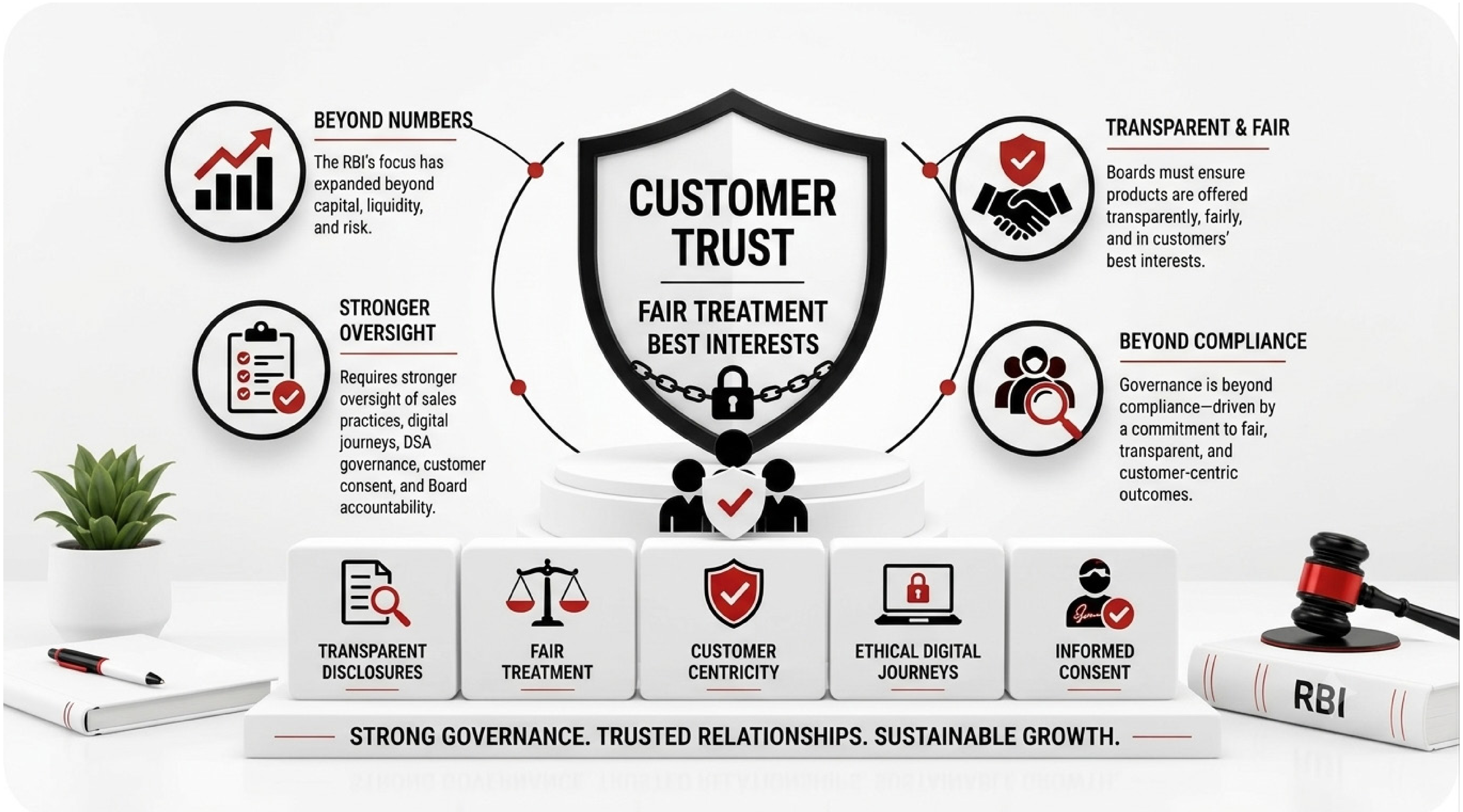

The RBI has shifted its focus beyond capital, liquidity, and risk to customer trust and fair treatment. Boards are expected to establish governance frameworks that ensure products are offered transparently, fairly, and in customers' best interests. This is not merely a policy or compliance exercise—it requires stronger oversight of sales practices, digital journeys, DSA governance, customer consent, and Board accountability.

The RBI has made it clear that governance is beyond compliance with regulations to the Company's commitment to fair, transparent, and customer-centric outcomes.

What should be our immediate next steps:

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- Review sales and marketing policies.
- Strengthen DSA governance and monitoring.
- Redesign consent architecture and customer journeys.
- Audit digital platforms for dark patterns.
- Establish a robust mis-selling redressal and compensation framework.
- The regulatory shift is from product-centric selling to customer-centric conduct regulation.
- Publish the DSA/DMA list and Code of Conduct on the NBFC website
- Set up the 30-day post-sale feedback and complaint-handling mechanism
- Train employees, DSAs/DMAs, sub-agents and recovery agents on the Code

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THE REAL MESSAGE FROM RBI IS CLEAR:

Customer trust is now a governance issue