



**GUIDANCE NOTE ON DIGITAL LENDERS UNDER TIER 2 MICROFINANCE  
SERVICE PROVIDERS, 2024.**



**BANK OF TANZANIA**

**AUGUST, 2024**

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## 1.0 Introduction

The microfinance sub-sector in Tanzania is experiencing significant growth with the rise of digital loan services. The rapid growth of digital loan services is driven by technological advancements and the demand for quick and streamlined credit with fewer procedures. These digital microfinance services have positively impacted financial inclusion and economic development. However, the rapid growth has also introduced challenges, including excessive fees and interest rates, abusive debt recovery practices, inadequate identification of service providers, data privacy issues, and harassment through messages and other communication methods demanding payment.

The challenges associated with digital microfinance services have led to significant issues, including consumer protection concerns, market instability, financial vulnerability, and damage to the credibility of the microfinance sub-sector.

As part of its mandate as prescribed in Section 12 of the Microfinance Act 2018, the Bank has issued this guidance note on digital lenders under Tier 2 Microfinance Service Providers, 2024. This guidance aims to ensure adherence to consumer protection principles by reducing abusive lending practices and improving transparency in the digital lending market. Additionally, it seeks to bolster the industry's reputation, build consumers' confidence, and ensure a secure environment for both borrowers and lenders within the digital microfinance sector.

## 2.0 Definition

“App Distribution Platform” means a service or environment where mobile applications are made available for download and use by consumers. It acts as a marketplace or store for apps, providing a centralized location for developers to publish their applications and for users to discover, download, and update them.

“Bank” has the meaning ascribed to it by the Bank of Tanzania Act.

“Digital Lenders” means a microfinance service provider carrying out lending activities, from the loan application, approval, disbursement and repayment through digital

channels”

“Digital Loan Product” means a credit facility or arrangement where money is lent or borrowed through a digital channel.

“Digital Lending Platform” refers to a channel through which the microfinance service provider offers its digital products, such as loans or other financial services, typically through online or mobile platforms.

“Digital Loan Services” means services or arrangements where money is lent, borrowed or repaid through a digital channel.

“Electronic Know Your Customer (e-KYC)” means the process of digitally verifying the identity of a customer through electronic means. It involves the use of technology to capture, validate, and authenticate customer identity information, reducing the need for physical documentation and in-person verification.

“Hosting Platform” means a service that allows microfinance service providers to store website files and make them accessible on the internet.

“Landing Page” means a specific web page or screen in a mobile application designed to capture a visitor's attention and guide them toward a particular action.

### **3.0 Minimum Criteria for Digital Lenders**

3.1 A microfinance service provider who intends to provide digital loan products and services shall at minimum, meet the following criteria:

- (a) a microfinance service provider must be licensed by the Bank as a Tier 2 Microfinance Service Provider as stipulated under section 16(1) of the Microfinance Act, 2018.
- (b) a microfinance service provider must have a robust and secure digital lending platform for conducting digital lending operations with respective product(s). The referred platform shall be available and can be tested. The system, at minimum, shall include the following:

- (i) specific consent of data and information obtained from user devices;
  - (ii) restriction of permission granted by the user's devices on limited and specific data to accomplish the credit process, and should be ended after the credit relationship; and
  - (iii) dissemination of OTP and transaction messages to customers with contents indicating the name stipulated in the licence certificate issued by the Bank.
- (c) a microfinance service provider must ensure full protection of customer data and be compliant with the Personal Data Protection Act, 2022, and its regulations.
- (d) a landing page of the digital lending platform shall display the name of the microfinance service provider as indicated in the license certificate issued by the Bank. The displayed name shall start with the word 'This App (or Digital Lending Platform) is owned or operated by (name of microfinance service provider)'. itKE
- (e) a microfinance service provider shall have competent staff or personnel to handle digital lending operations including accessing the system and extraction of relevant reports and providing technical support of the digital lending platform to customers. The referred staff or personnel shall, at minimum, possess ICT skills relating to the operations of the digital lending platform.
- (f) a digital lending platform shall display interest rates, fees and charges, late payment penalty, payment frequency, loan limits, and tenure of each loan product before applying for a loan as indicated in the approved Lending Policy.
- (g) a digital lending platform shall operate in Kiswahili or both Kiswahili and English language where Kiswahili shall be the default language. The language shall be simple and understandable.

- (h) a digital lending platform shall display phone numbers and emails for lodging customer queries and complaints on the landing page, which are reachable and owned by the microfinance service provider.

#### **4.0 Minimum Documentation for No Objection Request**

- 4.1 Existing licensed microfinance service provider who intends to offer digital loan products and services, shall apply to the Bank for a no objection letter.
- 4.2 Subject to guidance note 4.1 above, an application for a no objection letter, shall be in the form set out in Annexure 1.
- 4.3 An application referred to under guidance note 4.2 shall be signed by the Chairperson of Governing body or Sole Proprietor and be accompanied by: -
  - (a) description of the digital lending platform supported by process flow and screenshots of the user interface, terms and conditions of using or accessing the platform; and privacy policy.
  - (b) screenshots of the dashboard of the digital lending platform operating environment, which portray the following:
    - (i) account details indicating, at minimum, organisation and developer profile details.
    - (ii) date of initial upload in the operating environment.
    - (iii) category of digital lending platform.
    - (iv) targeted country or region.
  - (c) lending policy, which incorporates Digital Loan Products and Services.
  - (d) pricing model for interest rates, late payment penalties, fees and charges to be applied and interest computation method.
  - (e) a certified copy of the registration certificate from the Personal Data Protection Commission (PDPC) in line with the Personal Data Protection

Act and its regulations.

- (f) link for accessing the proposed digital lending platform and its products.
- (g) a duly filled questionnaire provided in Annexure 2.

## 5.0 Prohibited Activities

5.1 A microfinance service provider that has obtained a no-objection letter from the Bank to offer digital loan products and services, shall not engage in any of the following: -

- (a) operating more than one digital lending platform. However, a digital lending platform can offer more than one digital loan product or service.
- (b) use of a digital lending platform to access customer contact lists, call logs, phone messages, pictures, storage, social media accounts, emails, media, photos and files, and other installed applications as a way of e-KYC or delinquency management.
- (c) divulgence of customer information by any director, officer, employee, or agent of the microfinance service provider during and after the termination of engagement or employment with the microfinance service provider.
- (d) operationalise lending policy which has not been cleared by the Bank and issuing loan agreements that are not in line with regulation 39(2) of the *Microfinance (Non-Deposit Taking Microfinance Service Providers) Regulations, 2019*, and regulation 22(5) of the *Bank of Tanzania (Financial Consumer Protection) Regulations, 2019*.
- (e) share or allow personal data collected and processed by a microfinance service provider to be accessed by a person or entity residing outside the United Republic of Tanzania, unless for maintenance and improvement of the digital lending platform.
- (f) In the course of debt collection, officers, employees or agents shall not

engage in any of the following conduct against a customer or any other person: -

- (i) use of threat, violence, or other means to harm the person, or his reputation or property if they do not settle their loans;
  - (ii) use of obscene or profane language sent to the customer or the customer's references or contacts for purposes of shaming them;
  - (iii) access the customer's phone book or contacts list and other phone records for purposes of sending them messages in the event of untimely payment or non-payment;
  - (iv) post the customer's personal or sensitive information online or on any other forum or medium for purposes of shaming them;
  - (v) make unauthorised or unsolicited calls or messages to a customer's phone contacts and other contacts;
  - (vi) improper or unconscionable debt collection tactic, method, or conduct; or
  - (vii) any other conduct whose consequence is to harass, oppress, or abuse any person in connection with the collection of a debt.
- (g) acknowledge transactions carried out by a customer without generating and issuing e-receipts or instant messages.
- (h) operating a digital lending platform without a clearance from the Bank.
- (i) effect any changes in the details and operability of the digital lending platform including its pricing model without prior approval from the Bank.
- (j) closure of the digital lending platform without prior approval from the Bank.
- (k) failure to notify the Bank within 14 days of their digital lending platform being suspended, removed, or blocked by the owner of the hosting



environment or app distribution platform.

- (l) accept or invite any form of deposits in the course of carrying out digital lending operations.
- (m) publish any false, misleading or deceptive representation of its products and services in any advertisement.
- (n) offer lending services to customers who reside outside of the United Republic of Tanzania.
- (o) use loan guarantors without having a mechanism to seek and obtain the guarantor's consent and issuance of a written disclosure statement indicating his liability for the loan guaranteed.
- (p) require the borrower to pay interest amount upfront or before the loan repayment due date.
- (q) assign digital loans to third parties such as debt collectors or outsourced call centres or agents, without informing the customer before allowing such third party to contact him or her.
- (r) transfer or sharing digital lending platform which has been cleared by the Bank with other persons.
- (s) offer loan products and services or collect loan repayments in any currency other than Tanzanian shillings.
- (t) involve in any activities that contribute to, or are associated with, Money Laundering, Terrorism Financing, or Proliferation Financing.

## **6.0 Submission of Period Report on Digital Lending Operations**

- 6.1 A microfinance service provider that has obtained a no-objection letter from the Bank to offer digital loan products and services shall submit periodic reports to the Bank in the format and at the frequency prescribed by the Bank.

**7.0 Annexures**

**ANNEXURE 1**

*(Made under guidance note 4.2)*

Name of Institution:  
P.O. Box:  
Date:  
Phone:  
Email:

The Governor,  
Bank of Tanzania,  
P.O. Box 2939,  
Dar es Salaam,  
TANZANIA.

**Re: Application for a No Objection Letter to Offer Digital Loan Products and Services by Tier 2 Microfinance Service Provider**

Sir/Madam,

I/We, the undersigned, hereby apply for a no objection letter to establish/carry out digital lending operations in Tanzania through a Digital Lending Platform known as \_\_\_\_\_ which has been published/to be published in \_\_\_\_\_ (App Distribution Platform/Hosting Platforms). This Digital Lending Platform is proposed to issue \_\_\_\_\_ product(s)(number), namely, \_\_\_\_\_.

In support of this application, I/we submit herewith the documents listed in Guidance Note 3.2 of Guidance Note on Digital Lenders Under Tier 2 Microfinance Service Providers, 2024. I/ We certify the correctness of all the information indicated in such documents to the best of my/our knowledge and belief.

I / We hereby authorize the Bank of Tanzania and any of its authorized agents or staff members to make an enquiry or obtain any information from any source to determine the correctness of all the representations made in connection with this application or to assess its merits.

Yours faithfully,

.....

Signature of Chairperson of Governing body or Sole Proprietor

## ANNEXURE 2

(Made under guidance note 4.3(g))

### QUESTIONNAIRE FOR MICROFINANCE SERVICE PROVIDERS REQUESTING FOR NO OBJECTION LETTER TO OFFER DIGITAL LOAN PRODUCTS AND SERVICES

#### Part I: Instructions for Filling the Questionnaire

- (i) This questionnaire should be filled by a microfinance service provider and Authorised by the Board.
- (ii) No question should be left unanswered. Where the Applicant believes that a question does not apply, the Applicant should write “Not Applicable” or “N/A”
- (iii) If there is insufficient space to answer a question, additional information may be provided on an attachment page and identify the continuation of an answer by stating the question number.
- (iv) Please ensure that all answers and information are true and correct. Failure to do so constitutes a criminal offence and can lead the Bank to reject an application or disqualify a director or Chief Executive Officer who has been cleared on the basis of untrue or incorrect information.
- (v) “DLP” means Digital Lending Platform.

#### Part II: Features of the Digital Lending Operations

S/N	Particular	Remarks
1.	Indicate the type of DLP that you use to offer digital loans. For example: (i) Mobile Application; (ii) Website; and (iii) Other, please identify.	
2.	(a) Indicate DLP and hosting environment or App distribution platform used in the issuance of digital products. Examples of App distribution platforms are; - <i>Google Play Store and App Store</i> .	

S/N	Particular	Remarks
	(b) In case you have other DLP(s) that are inactive (dropped from the App distribution platform or hosting environment), please briefly indicate the reasons for closure/inactiveness and the date of the incident.	
3.	List payment system providers/electronic money issuers/banks used/integrated or to be used/integrated into your DLP for disbursement and collection, and the effective date of the contract with each counterparty.	
4.	For existing DLP, indicate countries in which your DLP is accessed and the respective number of downloads, active users/borrowers and outstanding loan amount for each jurisdiction.	
5.	(a) Indicate cost arrangement or structure applied in your DLP in detail and show the breakdown for:	
	(i) interest rate amount per frequency; ( <i>i.e. per day/week/month etc.</i> )	
	(ii) all application fees and charges applied; ( <i>breakdown shall indicate the amount of fees and name if it is charged for a third party e.g. payment service providers or MNO per transaction/bundle of service</i> )	
	(iii) a loan extension fee applied if any; and	
	(iv) late payment penalty rate or amount. ( <i>i.e. rate/amount charging frequency and base on which the rate will be imposed</i> )	
	(b) Indicate payment arrangement of interest rates and all applicable fees, i.e.: (i) Upfront; (ii) At maturity; and (iii) For other modes, please briefly justify.	
6.	(a) Indicate the number of instalments to settle fully the loan for each loan product.	
	(b) If there is more than one instalment, briefly indicate the interest computation method.	
7.	Indicate the loan tenure of each loan product in your DLP.	
8.	Do you use credit reports from Credit Reference Bureaus (CRBs) during the credit underwriting process? <i>Indicate YES or NO</i>	
9.	Do you employ credit scoring techniques during the credit underwriting process? <i>Indicate YES or NO</i>	
10.	Does your DLP operate in Swahili and English Language (end to end) i.e. Kiswahili or English version from initial to final processes?	

S/N	Particular	Remarks
	<i>Indicate YES or NO</i>	
11.	Does your DLP provide loan agreements to borrowers? <i>Indicate YES or NO.</i>	
12.	(a) Does your DLP indicate the company/business name as indicated in the Bank of Tanzania's license on the landing page and footer of all pages in the platform? <i>Indicate YES or NO</i>	
	(b) Does the content of transaction messages indicate the name of your institution as stipulated in the license issued by the Bank of Tanzania? <i>Indicate YES or NO</i> on each item below: (i) OTP ( ) (ii) disbursement ( ) (iii) loan repayment ( ) (iv) marketing messages ( ) (v) any other messages, please mention.	
13.	(a) Can customer data stored in your database server or DLP be accessed by a person, company, or system located outside the United Republic of Tanzania? <i>Indicate YES or NO.</i>	
	(b) If the answer above is Yes, please specify the countries in which the data can be accessed and the entities or individuals who have access to this information.	
14.	Do you employ a contracted agency or persons in collection, monitoring or recovery processes? <i>Indicate YES or NO. If the answer is YES, please specify.</i>	
15.	Indicate access rights requested by your DLPs from the customer's device and provide brief reasons for such request. Examples of access requests are as follows: <i>(Please indicate (✓) for accessed permission or N/A for not requested permission).</i> (i) Messages ( ) (ii) Contacts Lists ( ) (iii) Phone Calls/Call logs ( ) (iv) Camera ( ) (v) Calendar ( ) (vi) Location ( ) (vii) Nearby devices ( ) (viii) Microphone ( ) (ix) Music and Audio ( ) (x) Media (Photos and Video) ( ) (xi) Social Media accounts and emails ( ) (xii) App installed ( )	

S/N	Particular	Remarks
	(xiii) Storage/Files ( ) (xiv) List of accounts login in the phone/device ( ) (xv) Other, please specify.	
16.	Does your DLP collect information on emergency contacts or guarantors? <i>Indicate YES or NO.</i>	
17.	Does your DLP display phone numbers and emails for lodging customer complaints and queries? If <i>YES, indicate the number and email.</i>	

**DECLARATION BY THE APPLICANT**

I, ..... hereby declare the following:

This questionnaire consists of..... pages, each signed by me. The content of this declaration is true to the best of my knowledge and belief. I am aware that should any information submitted herein be false, I may be liable to prosecution. I undertake, that for as long as I continue to be Chairperson of Governing body of this institution/Sole proprietor of this business, I will notify the Bank of any material changes to, or affecting the completeness or accuracy of the information supplied by me as soon as possible, but in any event not later than 21 days from the day that the changes come to my attention.

.....  
Signature of Chairperson of Governing body /Sole Proprietor

.....  
Date

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**GOVERNOR**  
Emmanuel M. Tutuba  
DODOMA