



KAMARAJ IAS ACADEMY
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Banning of Unregulated Lending Activities (BULA) Bill

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Why in news?

The **Banning of Unregulated Lending Activities (BULA) Bill** is a draft legislation circulated by the **Department of Financial Services**, under the **Ministry of Finance**, for public consultation. This bill is designed to address and regulate the growing concerns surrounding unregulated digital lending and consumer protection in the financial sector.

Key Features of the Draft BULA Bill:

1. **Objective:**
2. The primary goal of the BULA Bill is to **curb unregulated lending activities** and **protect consumers** from exploitative lending practices that often occur in the unregulated space.
3. **Ban on Unauthorized Entities:**
4. The bill seeks to **ban individuals or entities** that are not authorized by the **Reserve Bank of India (RBI)** or other relevant regulators and are not registered under any other applicable law from engaging in **public lending business**. This includes unregistered and unauthorized digital lending platforms that operate outside the regulatory framework.
5. **Creation of a Central Database:**
6. The bill proposes the establishment of a **Central Database** to maintain information about **lenders operating in India**. This database will be a critical tool for tracking and monitoring lending activities, ensuring that only licensed entities are allowed to engage in public lending.
7. **RBI Working Group Report:**
8. The draft bill is aligned with the **RBI's Working Group on Digital Lending (WGDL)** report, which recommended regulatory measures to address the risks posed by the fast-growing digital lending sector, including predatory lending, high interest rates, and lack of transparency.

Significance of the Bill:

- **Consumer Protection:**
- With the rise of digital lending platforms, many consumers have fallen victim to unscrupulous practices, such as excessive interest rates, hidden fees, and aggressive debt collection tactics. The BULA Bill aims to safeguard consumers by ensuring that only regulated entities with proper authorization can offer loans.
- **Regulatory Oversight:**
- By requiring all lending activities to be authorized by regulatory bodies like the RBI, the bill ensures greater **accountability and oversight**, which could help curb illegal lending practices and prevent exploitation.
- **Transparency in the Lending Sector:**
- The establishment of a **Central Database** will enhance **transparency** and provide a centralized record of all lending entities. This could help regulators and law enforcement agencies identify and take action against illegal lenders more effectively.

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The **BULA Bill** marks a crucial step towards ensuring a safer, more regulated lending environment in India, particularly as digital lending continues to grow. By cracking down on unregulated lending, it aims to protect consumers from harmful practices and ensure that lending in India operates within a framework of **transparency** and **accountability**.