

(1)
REPUBLIC OF KENYA



TWELFTH PARLIAMENT

THE NATIONAL ASSEMBLY – FOURTH SESSION

PUBLIC PETITION

(No. 008 of 2020)



REGARDING REGULATION OF DIGITAL MONEY LENDING IN KENYA

I, the **UNDERSIGNED**, on behalf of Kenyan Citizens;

DRAW the attention of the House to the following: -

- 1. THAT**, there are more than fifty mobile and online credit providers in Kenya and over 19 million Kenyans are active mobile loan borrowers, 40% of whom have multiple loans from 6 of 10 mobile lending apps according to survey by Kenya National Bureau of Statistics (KNBS);
- 2. THAT**, digital lending platforms like Tala, Mshwari and Fuliza by Safaricom, KCB Mpesa, Timiza by Barclays (now Absa), Branch, Shika Ipesa, Berry, Okash, Zenka among others continue to lure and trap borrowers into unnecessary borrowing and a vicious cycle of expensive loans by raising loan limit upon repayment of the initial loan; easing their accessibility on internet; and non-disclosure of full lending terms, making it easy for Kenyans, especially jobless youth to borrow for betting or to pay previous loans instead of investments;
- 3. THAT**, digital borrowing has become a social menace responsible for suicides, divorce, family breakup and increased listing of loan defaulters by the Credit Reference Bureau (CRB), with a recent report by the CRB indicating that more than 2.7 million Kenyans are already blacklisted for defaulting mobile loans;
- 4. THAT**, the lenders charge an exploitative interest rate as high as 19.1% instead of 13% recommended by the Central Bank of Kenya compared to giving between 6.5% and 7.35% interest on savings;
- 5. FURTHER THAT**, mobile loans are expensive due to short term loan repayment, high facilitation fee charged, and transaction charges that have pushed average lending rate to around 19%;

Approved.

Ben SNA
10/3/2020.

PUBLIC PETITION

REGARDING REGULATION OF DIGITAL MONEY LENDING IN KENYA

6. **THAT**, considering mobile lenders are not recognized as financial institutions under regulation and supervision by CBK under the Banking Act, they operate bereft of regulation, including tax obligations;
7. **THAT**, due to lack of proper regulation, mobile money lenders infringe on clients' right to privacy by accessing customers' contacts to call friends and family about the borrowers' debt status;
8. **THAT**, minimal efforts which have been made by the Central Bank of Kenya (CBK) to address mobile money lending and claims of money laundering by the mobile lenders have not yielded substantive reforms;
9. **THAT**, issues in respect of which this petition is made are not pending before any court of law, constitutional or legal body;
10. **THEREFORE**, your humble Petitioners **PRAY** that the National Assembly, through the Departmental Committee on Finance and National Planning –
 - (a) investigates the operations of all mobile money lending platforms in the country with a view to stopping unregulated money lending and subjecting all non-compliant mobile lenders to applicable money lending regulations; and
 - (b) recommends to the Central Bank of Kenya, in conjunction with the Communication Authority of Kenya, to audit the operations of all digital money lending platforms and formulate regulations to govern digital money lending, including provisions for full disclosure of involved upfront charges and applicable interest rates, as soon as practicable.

And your **PETITIONERS** will ever pray.






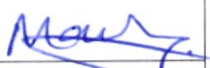





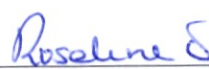


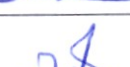

PRESENTED BY:


THE HON. ANTHONY TOM OLUOCH
MEMBER FOR MATHARE CONSTITUENCY

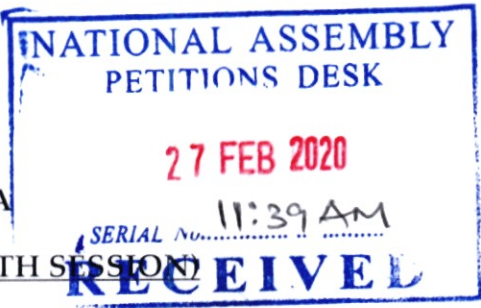
Date: 05/03/2020

PUBLIC PETITION

REGARDING REGULATION OF DIGITAL MONEY LENDING IN KENYA

No.	NAME	ID NUMBER	ADDRESS OR TELEPHONE NO.	SIGNATURE OR THUMP IMPRESSION
1.	Fred Obilo Makajos	30965898	0712666652	
2.	DIXON OMORO	9497332	0757348075	
3.	MORRIS OKIWI	223458 95	34367 NRB	
4.	WILLIS OUMA	22329712	51341 NRB	
5.	SOPHIA MORAA	12501900	0725301998	
6.	MARY WANGUI	27874516	0721638392	
7.	DELONS AMBUKA	33558695	0728157482	
8.	MICHAELASHA ADHIAMBO	28421265	0716736948	
9.	JARAD Mbalu	21625904	0721653451	
10.	MORRENT ATINDO	23169811	0706623413	
11.	EUNICE AUMU	21123019	0720757518	
12.	ROSELINS A OGUU	13194666	0728439527	
13.	ESTHER NGIONDU	26141053	0705867103	
14.	MICHAEL ALEMBA OROKA	24090448	0727886312	
15.	ADORA SAMUEL	23464723	0707370330	
16.	ROSELINA OJUNGA	3420702 07142355	0714275630	

No.	NAME	ID NUMBER	ADDRESS OR TELEPHONE NO.	SIGNATURE OR THUMP IMPRESSION
17.	Abdullahi Hassan Ali	36415421 079 0790551542	0790551542	
18.	Beena Ndungu - Motua	2265234		
19.	Emuly Nakkeri Wajida	3151234		
20.	Faustina Mito Boru	28104994 0723756991	0723756991	
21.	Frene Kakeche	22290106	0726666636	
22.	IRINE ATUMO	83842909		
23.	Rose Mwangi	35774485		
24.	Jackline Atinyi Kabir	31251709		
25.	Grace Gikwa	2696752		
26.	MIRIAM NTERI	30601748		
27.	Kenethi Okochi	22776006		
28.	Janet Mwangi	27092800		
29.	Erastus Oduki	2614900		
30.	Rose Musyoke	33078575		
31.	Precious Mwendu	36081709		
32.	CHRISTINE KHASOA	11728031		
33.	Maudie Okumu	2550035		



REPUBLIC OF KENYA
TWELFTH PARLIAMENT- (FOURTH SESSION)
THE NATIONAL ASSEMBLY

PUBLIC PETITION

PETITION TO REGULATE DIGITAL MONEY LENDING IN KENYA

I, the **UNDERSIGNED**, on behalf of Kenyan Citizens;

DRAW the attention of the House to the following:-

1. **THAT** there are more than fifty mobile and online credit providers offering loans in Kenya.
2. **THAT** over 19 million Kenyans (38%) are active mobile loan borrowers. 40% of the borrowers have multiple loans from at least 6 of 10 mobile lending apps according to survey by Kenya National Bureau of Statistics (KNBS).
3. **THAT** mobile lending in Kenya has continued to become a concern by impoverishing Kenyans by trapping them in a vicious cycle of expensive loans. Contributing factors are;
 - a) Non-disclosure of key terms and all conditions of lending product.
 - b) Increase in loan limit after completing loan repayment encourages more borrowing.
 - c) Unnecessary borrowing due to ease of accessibility to mobile loans.
 - d) High interest rates.
 - e) Enhanced transaction charges that have pushed average lending rate to 19.1% instead of 13% recommended by CBK.
 - f) Some loan lenders charge huge facilitation fee to enhance their profits.
 - g) Rogue lenders mimic names of well-known lenders to entice customers.
 - h) Engagement of the Kenya youth in borrowing from money lending products such as Tala, Mshwari by safaricom, KCB mpesa, Timiza from

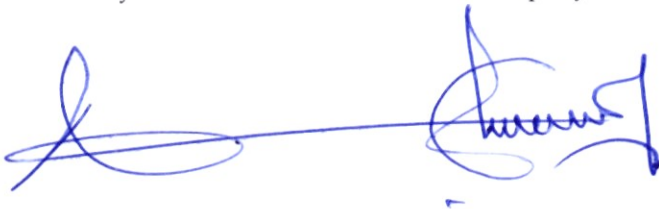
Barclays, Branch, Shika, Ipesa, Berry(app), Fuliza(safaricom), Okash(app), Zenka etc. and using the borrowing to engage in betting. This has become a social menace leading to suicides, divorce, breakup of families and even being blacklisted by the Credit Reference Bureau(CRB).

4. **THAT** a recent report by CRB indicate that more than 2.7 million Kenyans have been blacklisted due to defaulting on mobile loans. Of these 400,000 have been blacklisted for defaulting on loans of Kshs 200 and below. And 16.6% of digital borrowers take up one loan to pay another.
5. **THAT** mobile lending in Kenya is bereft of regulation and supervision by the Central Bank of Kenya.
6. **THAT** minimal efforts have been made by the National treasury when it developed The Draft Financial Markets Conduct Bill, 2018 under Section 64 of the Bill which required all contracts to be in writing in prescribed form. But this did not address digital lenders because they do not enter into written contracts with borrowers.
7. **THAT** Mobile loans are expensive due to short term loan repayment and facilitation fee charged. Mobile loan interest plus charges range from 10% to 99% per annum, while savings attract interest between 6.65% and 7.35%.
8. **THAT** mobile lenders have enhanced transaction charges that have pushed average lending rate to 19.1% instead of 13% recommended by Central Bank of Kenya.
9. **THAT** whereas the Central Bank of Kenya recommends a maximum of 13.5% interest rate, Mobile lending companies do not fall under the Banking Act because they are not financial institutions as defined under the act. Therefore, they cannot be supervised by the Central Bank of Kenya. They also do not fall under the Micro Finance Act.

10. **THAT** the Credit Reference Bureau (CRB) has been treating mobile loans differently therefore listing defaulters after 30 days instead of 6 months recommendation by CBK regulations. 47% of Kenyans reported late repayment of digital loan while 12% defaulted (FSD Kenya reports).
11. **THAT** due to lack of proper regulation of digital lending in Kenya, mobile lenders infringe on the privacy of their clients by accessing a customer's phone book, calling friends and family about borrowers' debt status and hostile treatment when being asked to repay their loans.
12. **THAT** Kenyan technology startups received 57 billion worth of funding in 2019. Two largest mobile lenders received 31% of the fund. Tala received 11 billion and Branch 6.9 billion. Despite receiving the amounts, it is a concern whether the mobile lenders comply with their domestic tax obligations.
13. **THAT** minimal efforts have been made by the Central Bank of Kenya to address money laundering by the mobile lenders but it has failed to yield any substantive reforms.
14. **THAT** the issues in respect of which the petition is made are not pending before any court of law, or constitutional or legal body.
15. **THEREFORE**, your humble petitioner prays that the National Assembly, through a resolution between the Departmental Committee on Finance; **THAT**;
 - a) The CBK in consultation with other relevant institutions to immediately stop the operations of all digital lending firms not in compliance with stipulated laws.
 - b) The DPP to investigate and prosecute all digital lending firms which are defrauding Kenyans through unlawful lending practices and money laundering.

- c) CBK should be compelled to formulate and publish digital lending regulations in line with statutory instruments Act within the next 6 months; the said regulations to include
 - i. A requirement for disclosure of all charges applicable upfront for mobile money lending services.
 - ii. Interest rates applicable to all money lending products.
- d) Communication Authority and Central Bank of Kenya to audit all unregulated money lending firms and subject them to applicable money lending regulations within six months; and file a report to the National Assembly.
- e) Communication Authority and Central Bank of Kenya to formulate and publish regulations within six months on interest rates on mobile money operators.
- f) The relevant committee to be directed to summon the Central Bank Of Kenya, the Treasury, the Credit Reference Bureau(CRB),the Betting Licensing Board and all other players, prepare a report and present to the National Assembly.

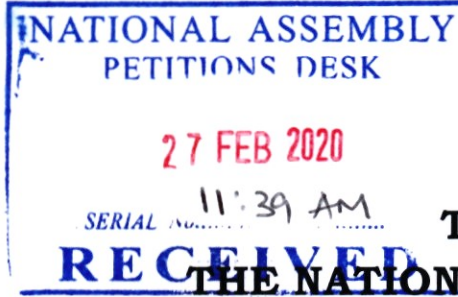
And your **PETITIONER** will ever pray.



PRESENTED BY:

THE HON. ANTHONY TOM OLUOCH
MEMBER FOR MATHARE CONSTITUENCY

Date.....



REPUBLIC OF KENYA



TWELFTH PARLIAMENT

THE NATIONAL ASSEMBLY – FOURTH SESSION

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PUBLIC PETITION REGARDING REGULATION OF DIGITAL MONEY LENDING IN KENYA

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**PUBLIC PETITION REGARDING REGULATION OF DIGITAL MONEY LENDING
IN KENYA**

14. THAT the issues in respect of which the petition is made are not pending before any court of law, or constitutional or legal body.

15. THEREFORE your humble Petitioners PRAY that the National Assembly, through the Departmental Committee to:-

1. immediately stop the operations of all digital lending firms not in compliance with stipulated laws in consultation with the Central Bank of Kenya (CBK) and other relevant institutions.
2. compelled CBK to formulate and publish digital lending regulations in line with statutory instruments Act within the next 6 months; and on the said regulations to include a requirement for disclosure of all charges applicable upfront for mobile money lending services and interest rates applicable to all money lending products.
3. compelled audit all unregulated money lending firms through Communication Authority and Central Bank of Kenya and subject them to applicable money lending regulations within six months; and file a report to the National Assembly.
4. compelled Communication Authority and CBK to formulate and publish regulations within six months on interest rates on mobile money operators.
5. Makes any other recommendations it deems appropriate in the circumstances of the petition.

And your **PETITIONERS** will ever pray.

PRESENTED BY:



**THE HON. ANTHONY TOM OLUOCH
MEMBER FOR MATHARE CONSTITUENCY**

Date.....