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Bank of Thailand Introduces Digital Personal Loans

With technological advancements, business operators are able to access more varieties of data than ever before, and are able to use that data to assess the terms on which loans are provided. This means that they can provide services to consumers more efficiently and with lower operating costs. More importantly, however, it allows them to provide financial services to a broader range of consumers who would otherwise not be able to access vital funds.

To facilitate this, on September 15, 2020, the Bank of Thailand (BOT) introduced a new type of personal loan—the digital personal loan—under BOT Circular Re: Rules, Procedures and Conditions for the Undertaking of Digital Personal Loan Business. Sometimes known as “quick loans” or “easy loans” in other jurisdictions, this new type of loan instrument is intended to promote financial access for those without a regular income, those without proof of income, and those without collateral.

Under the circular, a digital personal loan is defined as a personal loan for which business operators utilize digital technology and alternative data (e.g., utility and mobile phone bill payment records) to assess the borrower’s ability and willingness to repay. The digital personal loans do not include loans for which car registration is used as collateral.

The key requirements for undertaking a digital personal loan business are as follows:

1. Business operators are expected to use technology and alternative data to determine the customer’s risk profile, based on their ability or willingness to repay. The alternative data that is used must be from a trusted source and use a sensible hypothesis in assessing the customer’s credit profile. Such business operators may comply with the BOT’s information-based lending guidelines.
2. Business operators must use electronic channels for both the provision and repayment of the loans. This may include disbursing and repaying by bank transfer, direct debit, or e-money to create a digital footprint in the financial sector for the customers.
3. Business operators must disclose relevant information to customers, including interest rates, fines, service fees, operating fees, outstanding loan tables, and any other fees relating to the Digital Personal Loan. This information must also be easily accessible for customers through electronic means (for example, by being hosted and easily accessible on the loan providers website).
4. The maximum loan amount is THB 20,000 with a tenure of not more than six months.

5. Business operators are prohibited from charging additional interest rates, fines, service fees, operating fees, or any other fees to customers for early repayment of a loan.
6. Business operators are required to have IT security risk management measures in place. This includes measures to protect data from unlawful collection, processing, use, and destruction. Business operators also have an obligation to business continuity management, which they must satisfy by having a business continuity plan and an IT Disaster Recovery Plan. If the business operator will outsource their IT systems or connect their IT systems to third party services in a way that will involve the transfer of sensitive data (e.g. by using a cloud computing service), the third party must also have risk management and cybersecurity processes in place to the same standards.

Personal loan license holders that wish to offer digital personal loans must submit an application and supporting documents, including information on their minimum viable product, for BOT consideration at least 30 business days prior to the date on which they plan to begin offering digital personal loans. However, this application requirement is waived if the provision of digital personal loans only uses traditional methods of assessing customers’ ability or willingness to repay their loans (such as the National Credit Bureau).

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Business operators who would like to issue digital personal loans but do not currently have a personal loan license must first apply for one from the BOT in accordance with the requirements of BOT Notification SorNorSor. 12/2563 Re: Regulations, Procedures and Conditions for Undertaking Business of Personal Loan under Supervision. In practice, these business operators may apply for a personal loan license and simultaneously apply for BOT approval of their plan to issue digital personal loans.

While digital personal loans look set to become a major offering in Thai consumer banking, they are also of particular interest to non-traditional loan operators—especially e-money operators, large-scale casual employers (such as ride-share operators and delivery services), and even retailers, as has been the case with similar “quick loan” systems in other jurisdictions. 🏠