Leegality

A Lender's Guide To Building Digital KFS Journeys

- How to comply with RBI's 7 Requirements
- Actionable checklists to help you implement digital KFS
- Real-world flow examples and FAQs

Table of Contents

Over the past 15 months (2024 to 2025), the RBI has imposed 14 fines against lenders.

4 of these fines could have been avoided if lenders in question properly adhered to the KFS Circular.

The RBI issued the **KFS Circular** in April 2024 as part of its ongoing drive to enhance transparency in loan transactions.

The Circular makes the KFS a mandatory part of the loan offer for all retail and MSME term loans.

The KFS - which earlier used to be a mere formality - is now a **critical leg of the loan journey** that lenders need to pay attention to.

This playbook is designed to help REs and fintechs:

- **Gain legal and compliance clarity** on KFS Circular requirements
- **Identify process gaps** by translating compliance into operational steps
- **Fix gaps** through detailed technical guidance for digital KFS implementation

In this playbook, we will:

- Break down the 7 key compliance requirements
- Provide actionable checklists and tips for RBI-compliant digital KFS processes
- Include illustrations, technical swimlanes, and implementation resources
- Answer FAQs about KFS Circular ambiguities

The content of this playbook is based on dozens of live KFS implementations.

Over the past 18 months, we've worked with **banks, NBFCs and fintech lenders of all sizes** to roll out RBI-compliant digital KFS processes.

We've implemented this across **verticals and use cases** - from fully digital app-led journeys to phygital branch-based models.

We've written this playbook to help you **avoid the common mistakes, blind spots, and operational hurdles** that lenders face — and to help you **get your KFS process right.**

This playbook has a clear digital bias.

This playbook is for lenders building a **digital KFS process.** No technical guidance is provided for physical KFS processes.

Why we believe Digital KFS > Physical KFS

Digital KFS processes consistently outperform physical ones operationally and compliance-wise:

DIGITAL KFS	PHYSICAL KFS
✓ **Eliminates manual discretion** — compliance is built into the process.	**Relies on branch officer discretion** for compliance execution.
✓ **Granular vernacularisation** can be implemented at scale with minimal effort.	**Vernacular offerings** are logistically unfeasible at branches.
✓ **Zero direct costs** for printing, logistics, or physical storage.	**High operational costs** — printing, storage, transport.
✓ **Reduces branch workload** — saves hours per day per branch.	**Increases workload** for branch staff, taking time away from core tasks.
✓ **Fabrication-proof borrower acknowledgements** — with robust digital audit trails.	**Risk of fabricated borrower acknowledgements** — manual processes are hard to track.

The Digital KFS Software Stack

A compliant digital KFS process relies on four core software systems working together.

Loan Origination System (LOS)

Automates and manages end-to-end loan origination, approval, and disbursement.

Role in KFS Journey

- Manages disbursal and onboarding of borrower
- Sources and stores borrower and loan details
- Can auto-generate KFS as final PDF

Loan Management System (LMS)

Oversees the entire loan lifecycle from disbursement through repayment, servicing, collections, and closure.

Role in KFS Journey

- Handles loan term modifications during tenure
- Triggers updated KFS when modifications occur

Document Execution Platform

Ensures secure viewing, execution, and delivery of KFS to borrowers.

Role in KFS Journey

- Auto-fills and generates final KFS
- Provides borrower-facing interface for KFS acknowledgement
- Generates verifiable audit trail of KFS
- Collects eSign on loan agreements

Lender's Frontend (App/Website)

The borrower's interaction interface, whether digital app or RE's branch officer app.

Role in KFS Journey

- Presents loan offers with KFS links
- Provides language select screen for KFS

Why is the KFS important? Isn’t it just a formality?

Loan agreements are long, wordy and boring. Most borrowers won’t get through even one page. Plus, they are usually written in a language that most Indian borrowers don’t understand.

This information asymmetry is a problem for 3 reasons:

- **Loans carry heavy consequences like credit damage, recovery, or asset loss**
  Borrowers must clearly understand the risks before committing.
- **Lenders often insert unfair clauses that desperate borrowers overlook**
  Without reading closely, borrowers can’t make truly informed choices.
- **Some lenders illegally change terms after disbursal**
  Borrowers, unaware of the original contract, accept changes without question.

[redacted] · 2nd
Payments Business Analyst [redacted]
1d ···

Never trust [redacted] this 8.5 is just fancy once you take their loan you will see sudden increase in rates independent of RBI rate changes. They change is internally and then with RBI change.

[redacted] Jun 16, 2023 ···

Hello [redacted] why is your home loan executive not knowing about the **KFS**? And why r dey nt providing it?
It is the right of d customer to knw what all charges in the name of processing fees u are going to collect throughout d loan tenure.

[redacted] Follow ···

New Loan Terrorism by banks has started.
I have recieved unconsented loan from [redacted] my account. No official communication , no Emi , kfs, charges intimation.
Just a sms.
[redacted] it possible or legal ?
Is it loan terrorism on the start?
Will i have to close all my bank accounts and go to jungle?
Or have sleepless nights due to this terror of emi.
[redacted] gnored and has given no response.

The KFS Circular tries to remedy this information gap by allowing borrowers to know the key terms and conditions of the loan **without reading the full loan agreement.**

Through this, the RBI has made KFS a **critical operational leg** of the loan journey.

The KFS Circular issued in April 2024 is the culmination of a decade long KFS push by RBI

Jan 2015	**Circular on Display of Information** made KFS mandatory for Scheduled Commercial Banks
July 2022	**KFS in Microfinance Loan Directions** made KFS mandatory for microfinance loans
Sept 2022	**KFS in Digital Lending Guidelines** made KFS mandatory for digital loans
April 2024	**KFS Circular** made KFS mandatory for ALL retail and MSME term loans

The KFS is now a **critical operational leg** of all retail and MSME term loan products

Does the RBI KFS Circular apply to my loan product?

Clause 2

....The harmonised instructions shall be applicable in cases of **all retail and MSME loan products** extended by all regulated entities (REs).

Clause 10

Credit card receivables are exempted from the provisions contained under this circular

The KFS Circular applies to **all retail and MSME term loan products** offered by regulated entities, **excluding credit card receivables.**

To define "term loan", the Circular refers to the *Master Direction – Interest Rate on Advances (2016):* **"A loan which is repayable after a specified term period."**

Your product is a term loan if:

a. Involves a lump-sum disbursement, and
b. Requires repayment over a fixed term (with interest).

Applicability of KFS Circular

Apply to

- MSME Term Loan Products
- Retail Term Loan Products

Does not apply to

- Credit card products
- Corporate (Non-MSME) Loans

Might not apply to

- Credit line products

If you have doubts about whether your loan product is a term loan product - **then include a KFS out of abundant caution.**

The 7 operational requirements REs must follow under the KFS Circular

In this chapter we will:

- Break down what each requirement actually means
- Give you a roadmap on how you can operationally comply with these requirements

1

The KFS Circular imposes seven operational requirements on Regulated Entities.

The first 3 requirements pertain to the content of the KFS - ensuring full disclosure

1. KFS shall be as per format prescribed in Annexure A of RBI KFS Circular
2. KFS shall also include computation sheet of APR and amortisation schedule
3. KFS must be written in a language understood by the borrower

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The next 3 requirements pertain to the disclosure and execution of the KFS - ensuring proof of informed consent

4. KFS to be provided to borrowers at stage of loan offer - and also included as a summary document in the loan kit
5. Borrower acknowledgement to be obtained on KFS
6. Modifications in KFS terms can only be made with explicit consent of borrower

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The final requirement gives the customer the ultimate power to move forward or not - ensuring customer empowerment

7. Borrower to be given a minimum period of 1-3 working days to consider, evaluate and accept/reject the terms of the loan

All these requirements fall solely on **REs** (Banks, NBFCs and other entities that actually lend the money)

Requirement #1

KFS shall be in the format prescribed in Annexure A

Clause 4

REs shall provide a KFS to all prospective borrowers to help them take an informed view before executing the loan contract, as per the **standardised format given in the Annex A.**

RBI has prescribed a **fixed format for KFS** in Annexure A of the KFS Circular

Key Facts Statement

Part 1 (Interest rate and fees/charges)

1	**Loan proposal/ account No.**		**Type of Loan**	
2	**Sanctioned Loan amount (in Rupees)**			
3	**Disbursal schedule** (i) Disbursement in stages or 100% upfront. (ii) If it is stage wise, mention the clause of loan agreement having relevant details			
4	**Loan term (year/months/days)**			
5	**Instalment details**			

Type of instalments	Number of EPIs	EPI (₹)	Commencement of repayment, post sanction

6	**Interest rate (%) and type (fixed or floating or hybrid)**	
7	**Additional Information in case of Floating rate of interest**	

Reference Benchmark	Benchmark rate (%) (B)	Spread (%) (S)	Final rate (%) R = (B) + (S)	Reset periodicity[2] (Months)		Impact of change in the reference benchmark (for 25 bps change in 'R', change in:[3])	
				B	S	EPI (₹)	No. of EPIs

8	**Fee/ Charges[4]**				
		Payable to the RE (A)		Payable to a third party through RE (B)	
		One-time/ Recurring	Amount (in ₹) or Percentage (%) as applicable[5]	One-time/Recurring	Amount (in ₹) or Percentage (%) as applicable[5]
(i)	Processing fees				
(ii)	Insurance charges				
(iii)	Valuation fees				
(iv)	Any other (please specify)				

9	**Annual Percentage Rate (APR) (%)[6]**	
10	**Details of Contingent Charges (in ₹ or %, as applicable)**	
(i)	Penal charges, if any, in case of delayed payment	
(ii)	Other penal charges, if any	
(iii)	Foreclosure charges, if applicable	
(iv)	Charges for switching of loans from floating to fixed rate and vice versa	
(v)	Any other charges (please specify)	

Part 2 (Other qualitative information)

1	Clause of Loan agreement relating to engagement of recovery agents	
2	Clause of Loan agreement which details grievance redressal mechanism	
3	Phone number and email id of the nodal grievance redressal officer[7]	
4	Whether the loan is, or in future maybe, subject to transfer to other REs or securitisation (Yes/ No)	
5	In case of lending under collaborative lending arrangements (e.g., co-lending/ outsourcing), following additional details may be furnished:	

Name of the originating RE, along with its funding proportion	Name of the partner RE along with its proportion of funding	Blended rate of interest

6	In case of digital loans, following specific disclosures may be furnished:	
(i)	Cooling off/look-up period, in terms of RE's board approved policy, during which borrower shall not be charged any penalty on prepayment of loan	
(ii)	Details of LSP acting as recovery agent and authorized to approach the borrower	

Can lenders add fields to this template?

Yes. You may include additional disclosures after this table if you want to provide more clarity to borrowers. But you cannot alter or re-format the prescribed fields in Annexure A - the RBI requires those to be presented exactly as specified.

Scan here to access RBI's Annexure A template

scan here

Requirement #2

KFS shall include a computation sheet of APR and amortisation schedule

Clause 6

The KFS shall also **include a computation sheet of annual percentage rate (APR), and the amortisation schedule** of the loan over the loan tenor. APR will include all charges which are levied by the RE. Illustrative examples of calculation of APR and disclosure of repayment schedule for a hypothetical loan are given in **Annex B and C** respectively.

Ensure your KFS is not **incomplete**

As per clause 6 of the KFS Circular - a complete KFS must include **a computation sheet of APR and amortisation schedule.**

✗ Incomplete KFS	Annexure A		
✓ A complete KFS	Annexure A	Computation Sheet of APR	Amortisation Schedule

Scan this QR to access RBI's sample templates for APR computation sheet and amortisation schedule

Annexure B + C

Complying with Requirement #1 and #2

Steps to ensure a complete and accurate KFS kit

1

Ensure you have a complete KFS

The KFS kit should include:

- KFS in Annexure A format
- APR computation sheet
- Amortisation schedule

2

Fill the KFS Kit with Correct Details

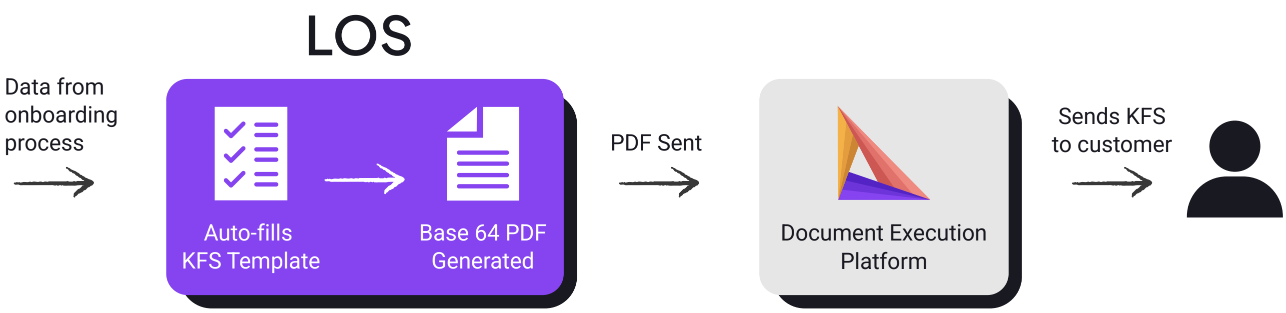
There are two ways to generate the correct KFS kit repeatedly in a digital flow

(Refer to next page to see how to do this)

Ensuring KFS is filled without mistakes

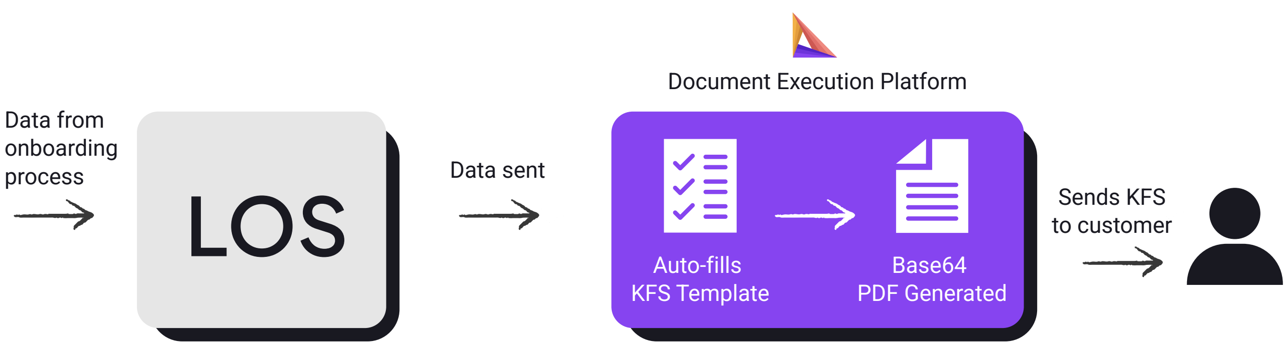
Method 1: LOS generates final KFS PDF

Your LOS pre-fills and generates final KFS Kit PDF



Method 2: Document Execution Platform generates final KFS PDF

Your LOS passes data to document execution platform - which then pre-fills and generates final KFS Kit



Requirement #3

KFS must be written in a language understood by the borrower

Clause 4

…The KFS shall be **written in a language understood by such borrowers.**

India is a multilingual country, with **only 15%** of the population being comfortable with English.

According to a recent study*:

3%	12%
of **rural Indians** can speak English comfortably	of **urban Indians** can speak English comfortably

These statistics show that an **English-only KFS will not work** for most borrowers in India.

This is especially true for **digital lending apps,** where anyone across India can download and use the app.

Under the Circular, REs must **vernacularize** their KFS in 2 ways:

KFS must be in a local language

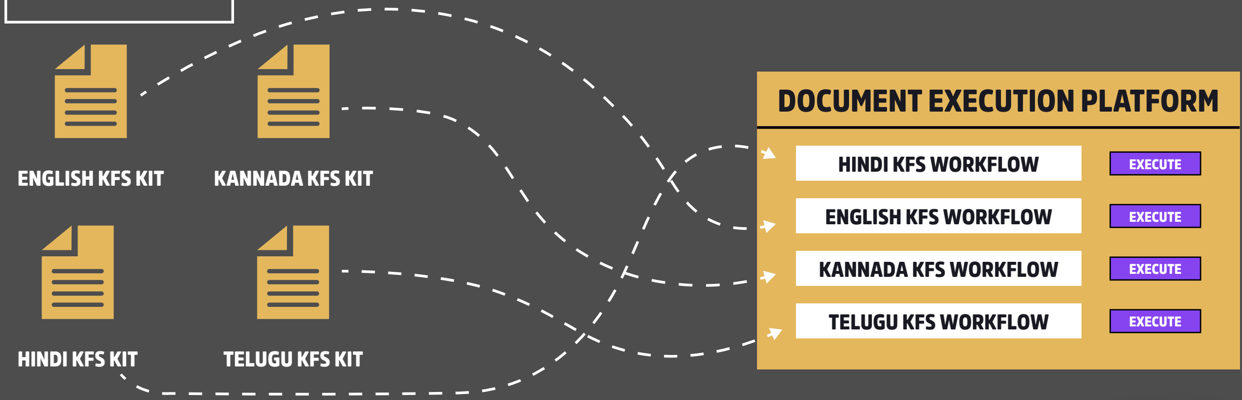
Digital KFS interface must be in a local language

***Source:** Livemint
https://www.livemint.com/news/india/in-india-who-speaks-in-english-and-where-1557814101428.html

Complying with Requirement #3

Ensure the KFS is in a local language

backend



Prepare KFS template in all languages that you need

Map out a digital workflow **(either in your LOS/LMS or in your document execution platform)** with each KFS kit

corresponding workflow triggered and displayed

front end

When a borrower selects a language, the KFS workflow is triggered and displayed in that language.

Display a "language select" screen - just like an ATM

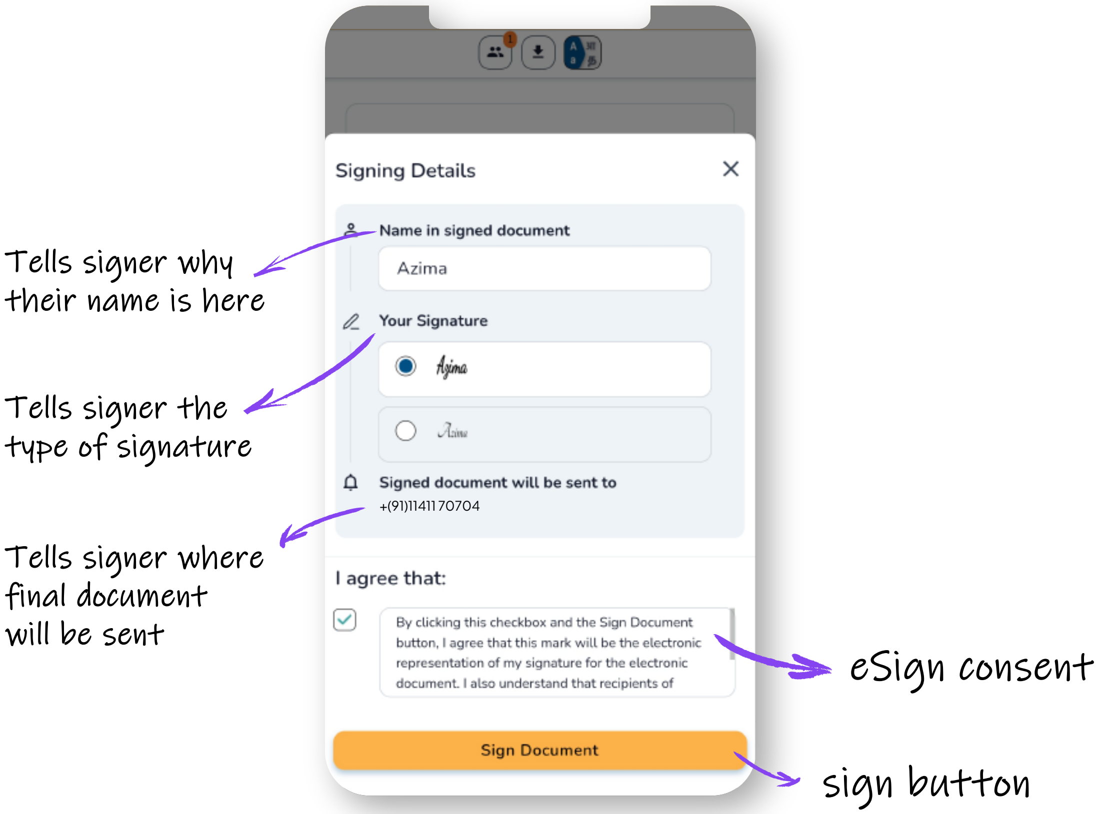
We've translated RBI's KFS template into 11 different Indian languages. Access the templates for free

scan here

Complying with Requirement #3

Render the KFS eSign interface in a vernacular language

A typical digital KFS screen is packed with a lot of English text



Vernacular KFS + English KFS Interface = Incomplete

The above image may look simple, but for a borrower unfamiliar with English - **it's overwhelming.**

If the KFS is in a vernacular language **but the acknowledgement process stays in English**, the borrower's understanding is incomplete.

This goes against RBI's intent - that the borrower must **understand each step they take** in the loan process.

Complying with Requirement #3

Your KFS execution screen should be in vernacular

Vernacular KFS + Vernacular KFS Interface = Complete

The KFS execution screen contains a lot of options, buttons and text. You need to ensure everything on this screen is rendered correctly in vernacular in order to ensure that the borrower understands **exactly what they are doing.**

FAQ

Can you use vernacular declarations instead?

Vernacular Declaration Form

I, ______________________________ aged ______ years, son/daughter/spouse of ______________________________residing at ______________________________ ______________________________ ______________________________(address) do hereby solemnly affirm and declare as under:

I have been read out and explained the contents of the Facility documents dated______________and all other Transaction documents incidental to availing the loan of an amount equivalent to ___________ from ______________ (Lender) by me in the language known to me, and I have signed the said documents after having understood them and by signing the same, I do hereby agree to abide by all the terms and conditions of the loan and the clauses of the same.

The **vernacular declaration** – **a short English statement where the borrower "attests" to understanding English** – has long been the go-to method for REs to comply with vernacular requirements.

Vernacular declarations do not comply with the RBI KFS Circular

- **The KFS Circular clearly says that the KFS must be written in vernacular.** A vernacular declaration, by its very nature, is not the KFS. It is a separate statement, often in English.

- **Declarations are not a sign of understanding - they are a reflection of power imbalance.** Borrowers sign the declaration because it is a precondition for the loan - not because they understand English

Requirement #4

KFS provided to borrower at stage of loan offer - and included as summary document in the loan kit

Clause 4

REs shall provide a KFS to all prospective borrowers to help them take an informed view **before executing the loan contract**

Clause 9

The KFS shall also be included as **a summary box** to be exhibited as part of the loan agreement.

The KFS must now serve **two roles**

Formal Offer

Shown before signing

Summary Record

Given as part of loan agreement

Loan Journey with **KFS**

KFS was only shown here **before the KFS circular**

1. Credit risk and KYC complete
2. Loan sanctioned and offer made
3. Loan paperwork executed
4. Loan disbursed

KFS to be shown here **after the KFS circular**

Requirement #5

Acknowledgement of borrower on KFS to be obtained

Clause 4

Contents of KFS shall be explained to the borrower and an **acknowledgement shall be obtained** that he/she has understood the same

Your KFS now needs to contain **a borrower acknowledgement.**

The days of the borrower simply viewing the KFS and then proceeding to sign the loan agreement are over.

The KFS will now need to be acknowledged before the loan agreement is executed.

What method of acknowledgement do I need to use?

The KFS is an important document that is now
a) Critical evidence in recovery proceedings and **b)** Critical audit item for RBI.

To be useful in enforcement and RBI audits the mode of KFS acknowledgement must fulfil 3 conditions:

1. Prove that the borrower took the acknowledgement action
2. Be 100% tied to the specific KFS
3. Be auditable and verifiable by the RBI

Complying with Requirement #4 and #5

Showing KFS before loan agreement & collecting borrower acknowledgement

You will need to show the borrower the KFS at the time of loan sanction and record their acknowledgement before moving ahead.

Here is how the KFS display + acknowledgement flow will look:

- Loan is sanctioned
- KFS link is displayed to borrower
- **Borrower reads and acknowledges the KFS**
- Borrower eSigns loan kit
- Signed KFS + Loan Agreement Kit is sent to borrower

The KFS Circular requires you to add this step

Can KFS be signed along the sanction letter?

If your borrower signs the sanction letter **before** the loan agreement process then **yes you can** get the KFS signed together with the sanction letter. The key is getting the KFS acknowledged **before the loan agreement.**

Complying with Requirement #4 and #5

Choosing the correct mode of KFS acknowledgement

There are 4 common types of KFS acknowledgement. We've mapped them all out on the basis of:

a) **Are they easy to tie to the borrower**

b) **Are they easy to tie to the KFS**

c) **Are they easy to verify in RBI audits**

d) **Are they operationally easy to use?**

The final choice is ultimately yours.

Aadhaar eSign

Aadhaar eSign is usually only used for signing loan agreements. However it can be used for secure, reliable KFS acknowledgement as well.

Tied to borrower	Tied to KFS	Easy to Audit	Operational Ease
✓	✓	✓	✗

Clickwrap

Clickwrap is a common method used by digital lending apps - where the borrower simply ticks an "I agree" box or clicks an "I agree" button.

Tied to borrower	Tied to KFS	Easy to Audit	Operational Ease
✗	✗	?	✓

Virtual Signatures (Without OTP)

If you've ever had to "sign off" on a courier - you would be familiar with this type of sign. It's a **virtual impression** of your physical sign.

Tied to borrower	Tied to KFS	Easy to Audit	Operational Ease
✓	✓	Only if audit trail generated	✓

Virtual Signatures (With OTP)

Same as a virtual signature - except it has an extra **OTP step** for security purposes.

Tied to borrower	Tied to KFS	Easy to Audit	Operational Ease
✓	✓	Only if audit trail generated	✓

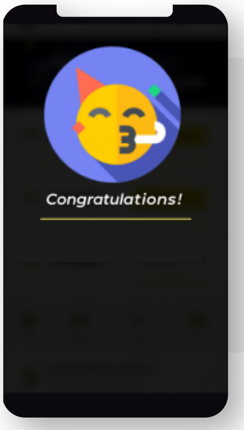
Complying with Requirement #4 and #5

Digital Lending Directions 2025 require a "menu of KFS" to be displayed at stage of offer

On May 8, 2025, the RBI issued Digital Lending Directions, 2025 - which replace the 2022 Digital Lending Guidelines

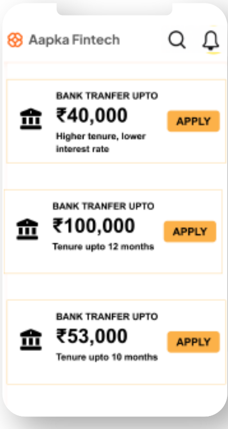
Clause 6(iii) of the Digital Lending Directions states that when multiple lenders present offers on a digital loan app - each offer must include:

- Lender name(s), loan amount, tenor, APR, monthly repayment, and any penal charges
- A link to the KFS for each lender, enabling borrowers to compare offers fairly.



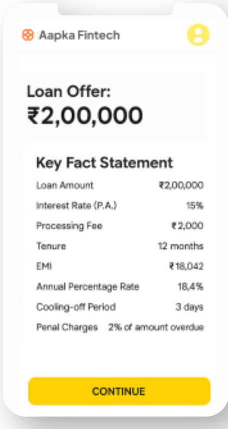
Borrower opens fintech app and performs KYC and credit check.

1



Borrower is shown a menu of offers - with each offer accompanied by a KFS link.

2

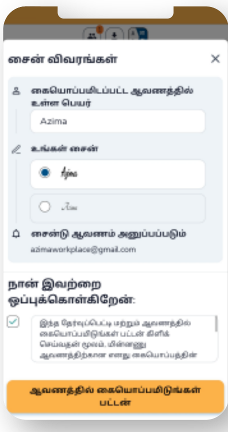


Borrower views offers and KFS at leisure.

3

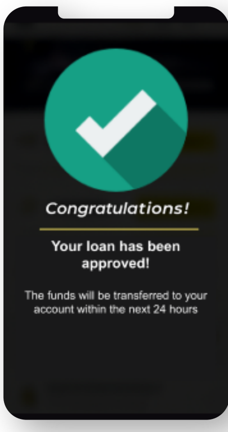
Borrower makes a decision and selects one of the offers.

4



Borrower digitally acknowledges KFS and eSigns loan agreement.

5



Loan is disbursed.

6

The Digital Lending Directions, 2025 essentially mandate that the borrower be shown a "menu of KFS" at the stage of loan offer itself.

Requirement #6

Terms of KFS cannot be modified without explicit borrower consent

Clause 8

Any fees, charges, etc. which are not mentioned in the KFS, **cannot be charged by the REs** to the borrower at any stage during the term of the loan, **without explicit consent of the borrower.**

Clause 8 turns the KFS into the single source of truth for the entire loan transaction.

Once the KFS is issued and acknowledged, those are the final terms that bind the borrower and lender for the term of the loan.

Lenders can't sneak in new charges, increase fees, or modify terms during the loan — unless the borrower gives **explicit consent.**

What does explicit consent mean?

The RBI doesn't give a definition - so use the same evaluation criteria we used for KFS acknowledgement:

1

The consent must prove the borrower took the action

2

The consent must be 100% tied to the specific revised KFS

3

The consent must be auditable and verifiable

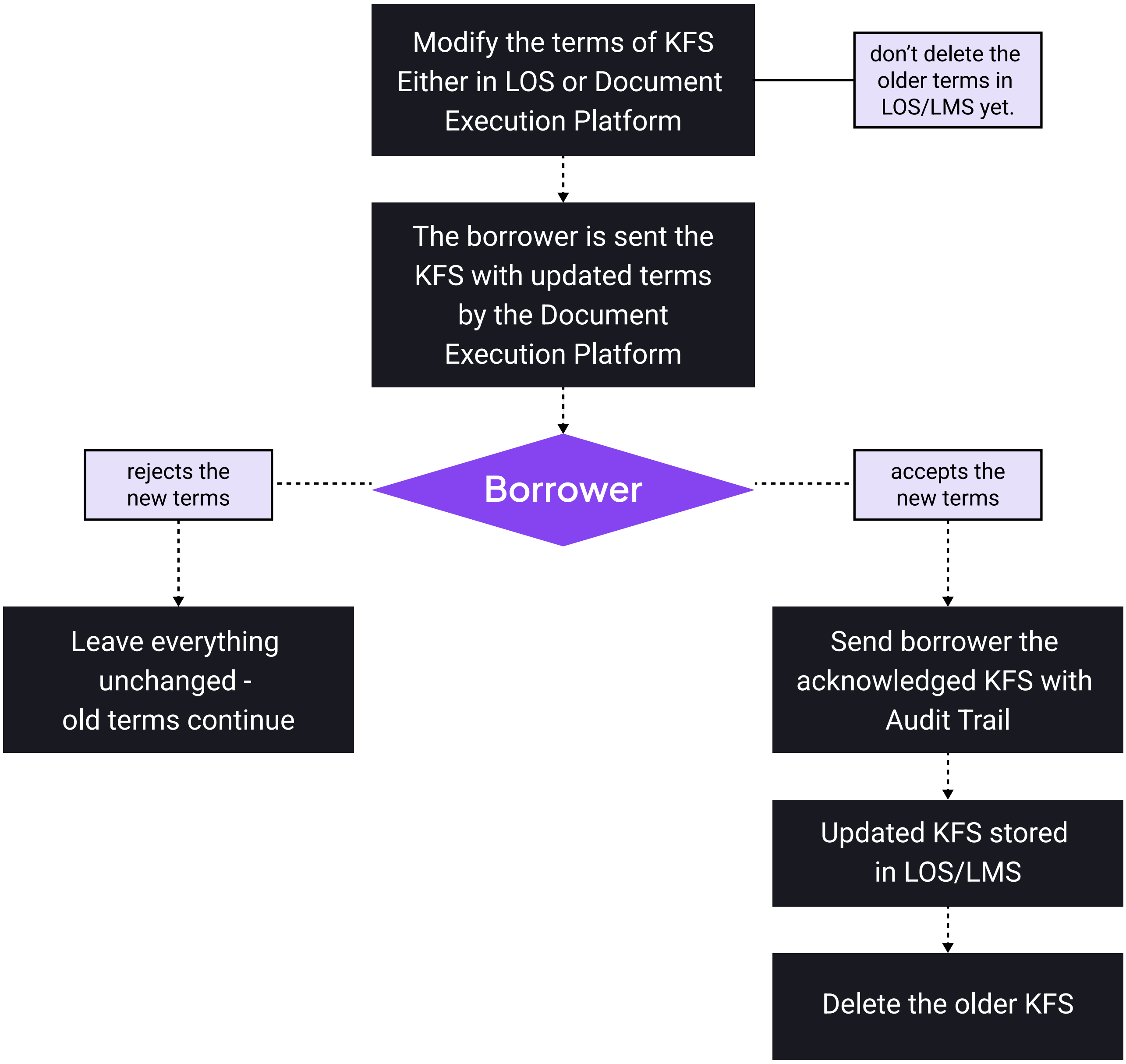
Virtual Signatures hit the sweet spot for explicit digital consent

Method	Explicit	Verifiable	Friction Level
Clickwrap	✗ No	✗ Low	✓ Low
🏆 Virtual Sign	✓ Yes	✓ Moderate	✓ Low
Aadhaar eSign	✓ Yes	✓ High	✗ High

Complying with Requirement #6

Collect fresh consent for any modification

To comply with Clause 8 of the RBI KFS Circular, your digital KFS system must do two things:



Requirement #7

KFS provided to borrower at stage of loan offer - and included as summary document in the loan kit

Clause 5

Further, the KFS shall be provided with a unique proposal number and shall have a **validity period of at least three working days** for loans having tenor of seven days or more, and a **validity period of one working day** for loans having tenor of less than seven days.

Explanation

Validity period refers to the period available to the borrower, after being provided the KFS by the RE, to agree to the terms of the loan. The RE shall be bound by the terms of the loan indicated in the KFS, if agreed to by the borrower during the validity period.

You cannot compel the borrower to agree to a KFS the moment they receive it.

Once you issue a KFS to a borrower, you must give them a guaranteed window of time to evaluate the offer — without any pressure to immediately accept.

Is the validity period the same as the cooling off period in digital lending?

No, the validity period is not the same as the cooling off period in digital lending.

The "validity period" is prior to the KFS acknowledgement. The "cooling off period" is after the loan agreement has been signed.

KFS Validity Period			Cooling-off Period	
1	2	3	4	5
Sanction Letter and KFS are sent to the customer	Customer signs the Sanction Letter and KFS	Customer receives the loan agreement	Customer eSigns the loan agreement	Cooling off period ends

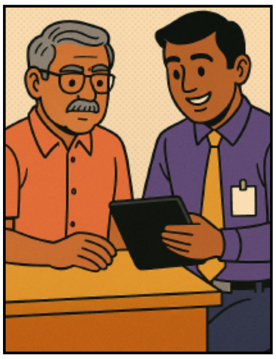
Complying with Requirement #7

Give the customer time to decide if they want

While most borrowers will want to sign then and there - many borrowers will want to pause and think.

So your digital KFS flow needs to account for the possibility that the borrower acknowledges the KFS later at their own time - in a different location.

Branch-Led Flow



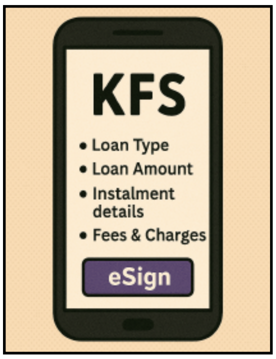
KFS is displayed to borrower

Borrower asks for time to decide

Branch agent shares KFS via email, SMS, or WhatsApp

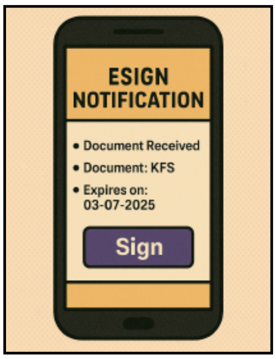
Borrower opens the link and eSigns the KFS (if still valid)

App-Led Flow



KFS is displayed to borrower

Borrower asks for time to decide



KFS shared with borrower via email, SMS or WhatsApp

Borrower opens the link and eSigns the KFS (if still valid)

KFS Requirements Checklist

Here's a summary of this entire chapter - in a checklist format so that you can take this and use it for your KFS implementation

REQUIREMENT	HOW TO COMPLY
1 KFS shall be in the format prescribed in Annexure A **2** KFS shall include a computation sheet of APR and amortisation schedule	☑ Use the KFS template as per Annexure A, B & C. ☑ Ensure template fields are correctly filled either on LOS/LMS or document execution platform.
3 KFS must be written in a language understood by the borrower	☑ Prepare KFS kits in languages your borrowers understand. ☑ Allow borrowers to select language of KFS ☑ Ensure the eSign interface matches the chosen language.
4 KFS provided to borrower at stage of loan offer - and included as summary document in the loan kit **5** Acknowledgement of borrower on KFS to be obtained	☑ Provide KFS to the borrower at the loan offer stage separately from loan agreement. ☑ Collect the borrower's eSign on the KFS before proceeding with the loan agreement.
6 No modification in terms of KFS without borrower consent	☑ If the loan terms change, update the KFS and re-execute it with the borrower's eSign.
7 KFS shall have a validity period of 1 to 3 days (depending on loan term)	☑ Ensure KFS links work within the validity period. ☑ Allow borrower to eSign anytime within 1-3 days.

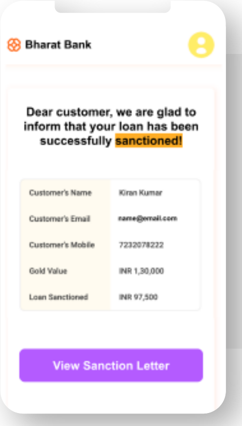
Digital KFS Flow Screenshots

In this chapter we will:

- Give you a clear idea of how the digital KFS experience should look like
- Expand on both Branch-led and App-led KFS flows

2

App-Led KFS Flow



Loan is sanctioned.

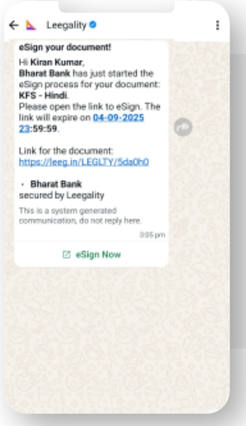
1

METHOD OF SHOWING KFS

Fully-filled vernacular KFS is displayed to borrower in-app via **eSign SDK**

Data used from LOS/LMS

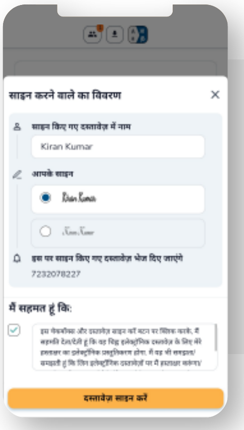
2A



Optional

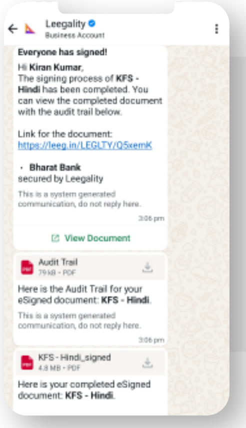
KFS is sent to borrower via WhatsApp /SMS/Email

2B



Borrower views and acknowledges KFS via **OTP-less Quick Sign**

3



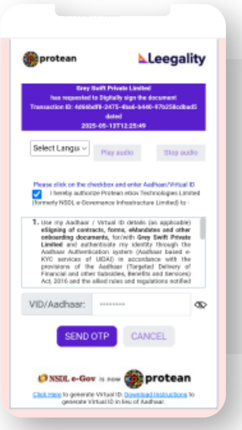
eSigned KFS is

- Sent to borrower via WhatsApp/ SMS/Email
- Stored in LOS/LMS of RE

4

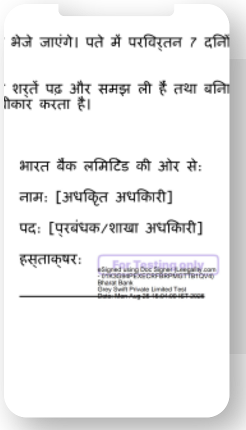
Loan agreement generated and displayed to borrower for Aadhaar eSign

5



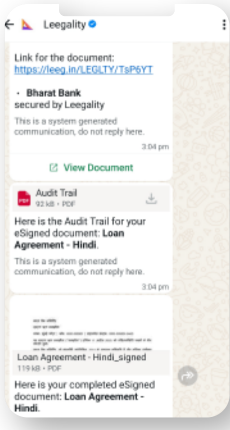
Borrower Aadhaar eSigns loan agreement via OTP/Bio/Iris /Face

6



RE digital signature automatically affixed via DocSigner

7



eSigned Loan Kit (with KFS):

- Stored in LOS/LMS
- Auto-sent to borrower via WhatsApp/SMS /Email

8

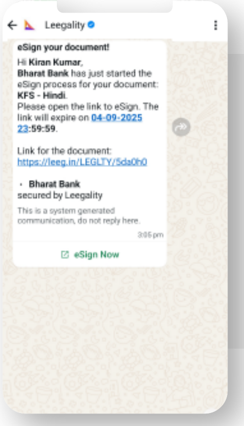
Branch-Led KFS Flow

METHOD OF SHOWING KFS

KFS is displayed on branch tablet/ computer

Data is passed from LOS/LMS

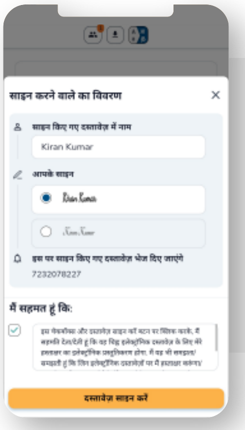
1A



Optional

KFS is sent to borrower via WhatsApp/SMS /Email

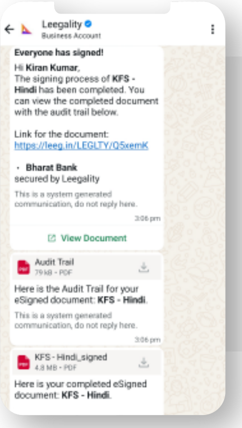
1B



Borrower accepts KFS via OTP-less Quick Sign

- Auto-sent via WhatsApp/SMS /Email
- Stored in RE's LOS/LMS

2



eSigned KFS is

- Sent to borrower via WhatsApp/ SMS/Email
- Stored in LOS/LMS of RE

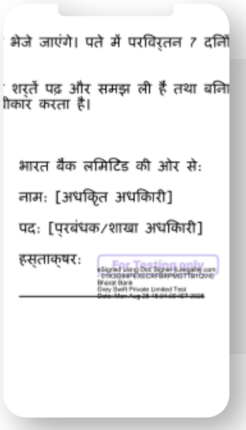
3

Loan agreement generated and displayed to borrower for **Aadhaar eSign**

4

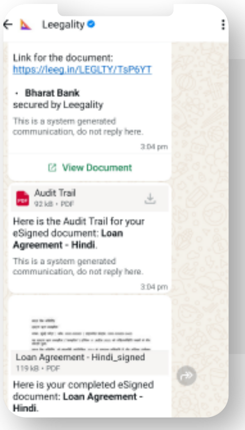
Borrower Aadhaar eSigns loan agreement via **OTP/Bio/Iris /Face**

5



RE digital signature automatically affixed via **DocSigner**

6

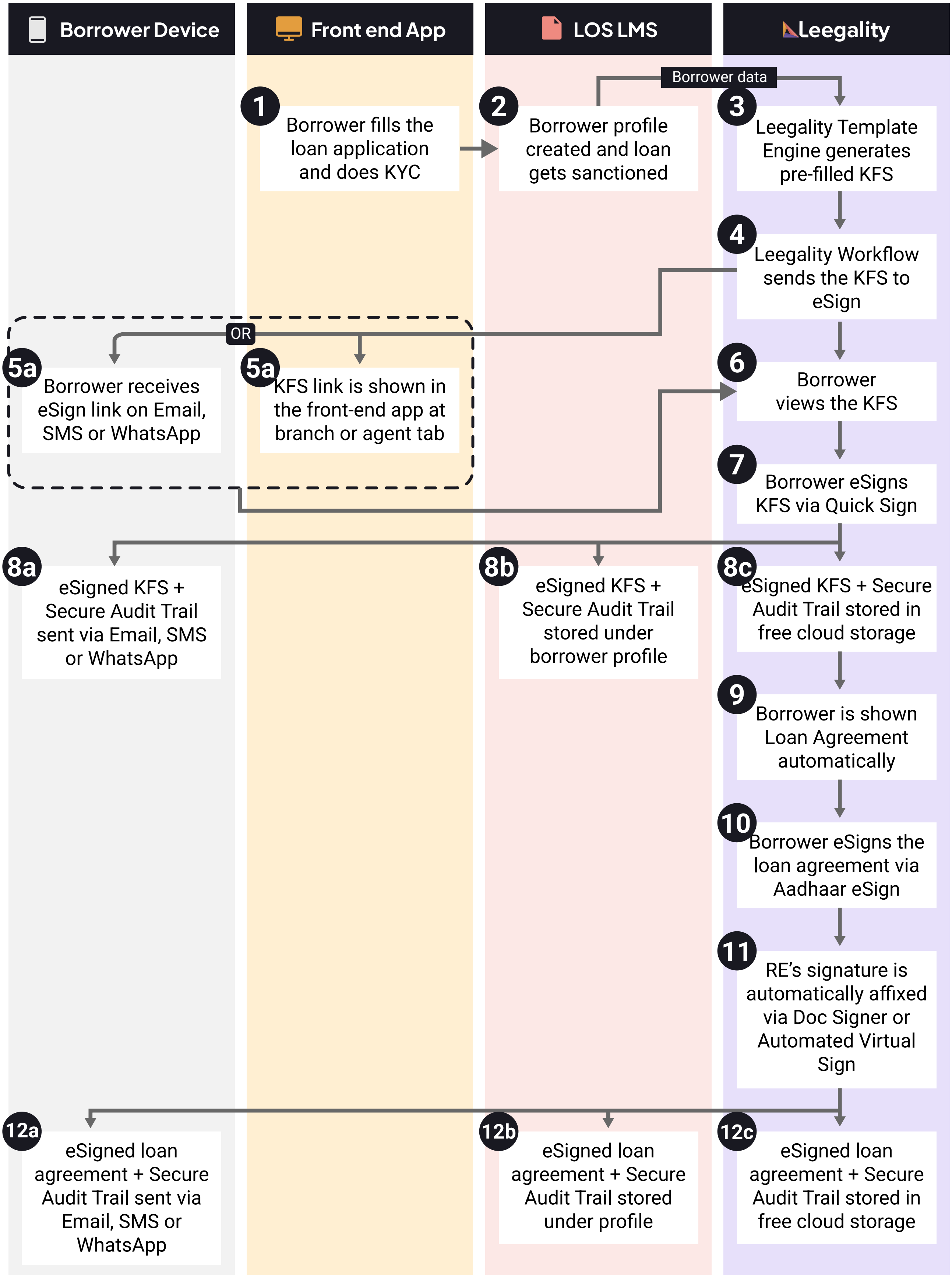


eSigned Loan Kit (with KFS attached) is:

- Stored in LOS/LMS
- Sent to borrower automatically via WhatsApp/SMS/ Email

7

Architecture of your KFS flow (Swimlane)



Feature checklist for compliant digital KFS process

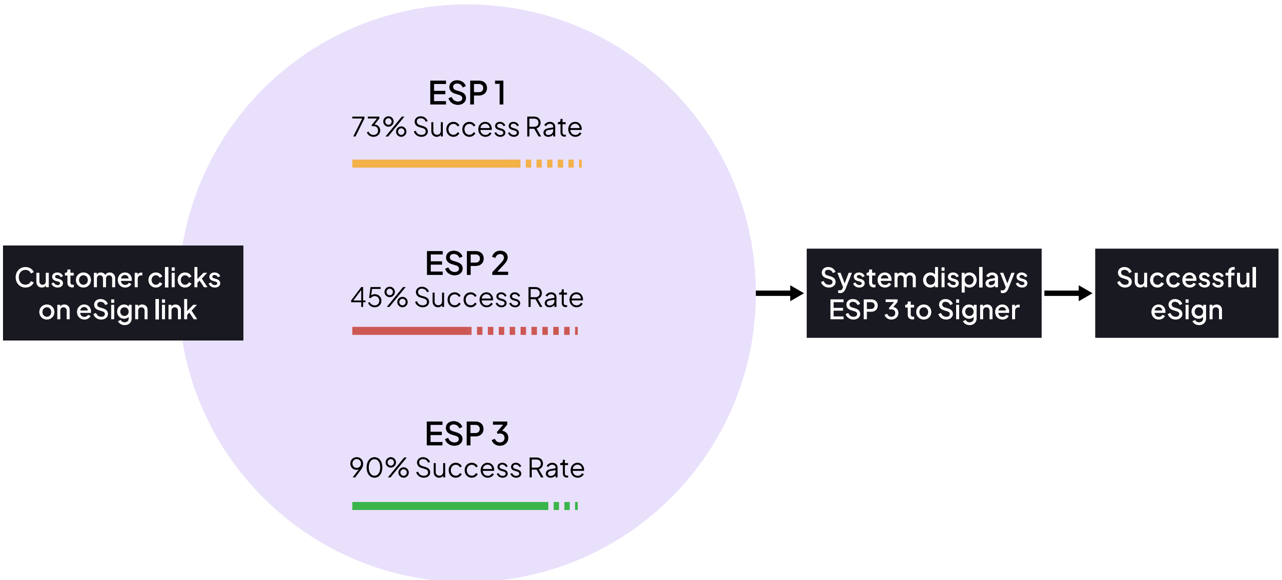
KFS STAGE	PLATFORM	FEATURES
Loan offer is finalized	LOS	✓ Data + Decision Engine
KFS is generated	Document Execution Platform	✓ Ability to pass PDF from LOS/LMS ✓ Vernacular KFS Templates
	LOS	✓ Vernacular KFS Templates
Borrower views the KFS	Document Execution Platform	✓ Send KFS link on email, WhatsApp, or SMS ✓ Show KFS via Mobile/Web SDKs inside app
Borrower acknowledges the KFS	Document Execution Platform	✓ Vernacular language eSign interface ✓ OTP-less Virtual Sign
Final KFS is sent to the borrower	Document Execution Platform	✓ Send KFS PDF on email, WhatsApp, or SMS
Final KFS is stored in Lender LOS/LMS	Document Execution Platform	✓ Free cloud storage on Doc. Execution Platform ✓ Pass via API to LOS/LMS

Build a Backup Flow Across **Aadhaar eSign Providers** for Loan Agreements

eSign downtime or outages are fairly common for Aadhaar ESP - leading to a halt in disbursal process. To avoid such situations, most lenders connect with multiple Aadhaar ESPs.

But simply having a connection with multiple Aadhaar ESPs is not enough - you also need a way to automatically route people to the other ESPs, in case the one they were using faces technical issues.

Here's how a multiple ESP process would work:



Build a Cascade Flow Beyond Aadhaar eSign

When UIDAI is down, all Aadhaar eSign modes (OTP, Biometric, Face, Iris) fail.

That leaves two options:

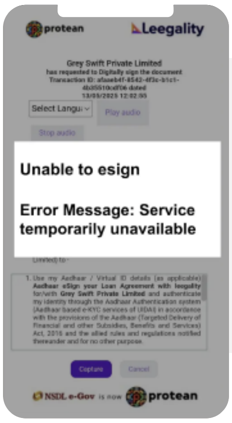
- Fall back to physical paperwork (kills digitisation)
- Use a compliant non-Aadhaar eSign (faster, cheaper, digital)

The challenge: You want non-Aadhaar only as backup. If both are shown upfront, branch staff may skip Aadhaar for convenience.

Solution: Implement a cascade system that removes branch-level discretion.

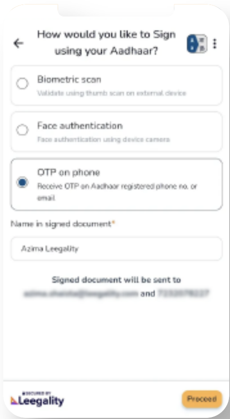
Borrower views document & clicks on 'eSign'

1



Aadhaar OTP is attempted, fails due to UIDAI downtime

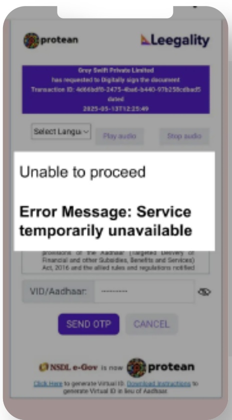
2



Aadhaar Biometric and Face appear as first backups

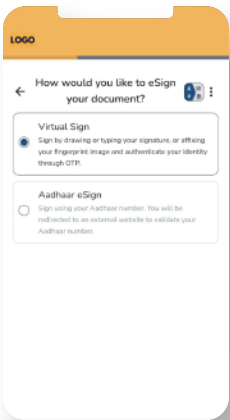
(used when issue isn't UIDAI downtime)

3



Aadhaar Biometric and Face Sign fail - since UIDAI is down

4



After two failed Aadhaar attempts, OTP-based Secure Virtual Sign appears

5

Borrower eSigns the agreement via Secure Virtual Sign

6

In the above flow, a failure limit of 1 attempt was set for Aadhaar OTP - after which backup options appeared.

KFS Violations, RBI Penalties, and **the Fixes** Lenders Should Know

Over the past 12 months, the RBI has imposed 14 fines against lenders. **4 of these could have been avoided with proper adherence to the KFS Circular.** Below is a consolidated snapshot that connects:

- The exact violation flagged by the RBI
- The specific KFS mistake responsible
- The operational fix that would've prevented it

RBI VIOLATION	KFS MISTAKE	THE FIX
Did not provide KFS	KFS was never issued	Auto-trigger KFS as part of the loan workflow
Did not explain interest rate	APR & amortisation schedule missing (Clause 6)	Embed APR & amortisation computation in the KFS template; auto-fill values dynamically
Did not disclose co-lending arrangement	Required fields left blank in KFS	Add validation to block incomplete KFS submissions
KFS not in vernacular language	KFS shared only in English (Clause 4)	Let borrower select language > trigger corresponding KFS template

FAQs lenders have about KFS

3

KFS FAQs

When should the KFS be provided

1 When should the KFS be provided to the borrower?

Before the borrower receives the loan agreement. The borrower should first review and understand the loan terms in the KFS and acknowledge them **before** eSigning the loan agreement.

2 We issued the KFS at sanction, but the disbursement happened later. Can we revise the KFS?

Yes, but only with explicit borrower consent. If any terms change before disbursement, you must issue a revised KFS and collect fresh acknowledgement from the borrower confirming their consent.

3 What if the loan terms change after the KFS is signed?

You cannot implement any changes to loan terms after KFS is signed **unless you collect explicit consent** from the borrower:

1. Send the borrower a revised KFS with new loan terms
2. Collect a new acknowledgement on the revised KFS.
3. Send the acknowledged copy to the borrower and store it in your LOS/LMS.

KFS FAQs

Vernacular Language Requirements

1 Can we take a one-time blanket consent in English for the full journey and KFS?

No. The KFS Circular **explicitly** requires the KFS to be **written** in a language understood by the borrower. A one-time blanket consent in English defeats the purpose - as the borrower may proceed without understanding the terms.

2 If a borrower picks English as their preferred language, is that enough proof of understanding?

Yes — but only if you have explicitly offered them a clear choice of languages. The choice must be real and visible in the interface, not hidden in a blanket declaration.

3 Our agent explains everything in the borrower's language and we include a vernacular declaration. Is that compliant?

No. Spoken explanations do not replace the requirement for the written KFS to be in a language understood by the borrower. RBI's intent is that borrowers can refer back to the KFS later, without relying on an agent.

4 Do we need to translate numbers in vernacular KFS?

No. English and Roman numerals may be retained. Borrowers in India are generally more familiar with these formats due to mobile phone use, OTPs, and online platforms. Google India research also recommends English numerals over Indian numerals.

You can read the Google India report here.

Vernacular Language Requirements

5 Can we send the KFS eSign invite message in a vernacular language via Leegality?

Yes. You can send document execution notifications (eSign link, signed document etc.) in the following languages -

- **SMS Invites** - English, Hindi, Marathi, Gujarati, Tamil, Telugu, Kannada, Malayalam
- **Email Invites** - English
- **WhatsApp Invites** - English, Bengali, Kannada, Odia, Hindi, Punjabi, Malayalam, Gujarati, Tamil, Telugu, Marathi*

6 Do app-based loan journeys need to show KFS in a vernacular language?

Yes. RBI guidelines make no exception for app-driven loans. English isn't automatically considered understood.

Implementation Tip: Offer language selection in-app and present KFS in the chosen language."

7 Is a vernacular KFS enough, or does the complete loan kit need to be translated?

For KFS Rule compliance, only the KFS must be in vernacular. However, other RBI rules such as the Fair Practice Code may require translating the full loan kit.

We recommend providing both the KFS and the loan kit in the borrower's preferred language.

KFS FAQs

KFS Format & Content

1 Should the APR shown in the KFS include GST on fees charged to the customer?

Given RBI's emphasis on 100% transparency, the APR should include the GST component on any fee charged to the customer.

2 If we are a marketplace working with multiple lenders, are we required to show the KFS of all matched lenders, or only the one selected by the customer?

Yes. As per Clause 6(iii) of the Digital Lending Directions, 2025, you must show the KFS of **all matched lenders.**

3 If the processing fee is retained by an LSP or DLA (transferred by RE but not charged directly to the customer), must this be disclosed in the KFS as a charge "on behalf of a third party"? Should a receipt be issued to the customer for this?

KFS requires disclosure only of charges the customer pays (directly or indirectly). If customer doesn't pay under any circumstance, no disclosure is needed.

4 Is stating the APR percentage enough? Do we need to show the calculation too?

No. You must provide i) computation/calculation sheet for APR and ii) an **amortisation schedule**. RBI has provided sample formats in Annexures B and C of the KFS Circular.

5 What does it mean to 'provide' the KFS? Should it be downloadable?

Yes. In digital flows, send the KFS in a downloadable format so the borrower can refer to it later.

KFS FAQs

KFS acknowledgement

1 Can I hyperlink the KFS in the summary screen and collect 'I agree' consent stating they've read and agreed to the terms of the KFS?

Not recommended.

- Borrowers could claim they never saw the KFS before signing.
- You cannot prove the identity of the person who clicked "I Agree."

Instead, display the KFS prominently, allow downloading, and collect acknowledgement.

3 Is it mandatory to collect eSign on KFS document?

No. RBI does not mention any specific mode of acknowledgement — eSign is one option, but not mandatory.

The key is that the acknowledgement must be **auditable, verifiable and enforceable** - to help you during enforcement/recovery proceedings and during RBI audits.

4 Can OTP-based consent for KFS be used in a digital loan journey?

Yes. The KFS Rules do not prescribe a specific acknowledgement type. However, evaluate whether your method:

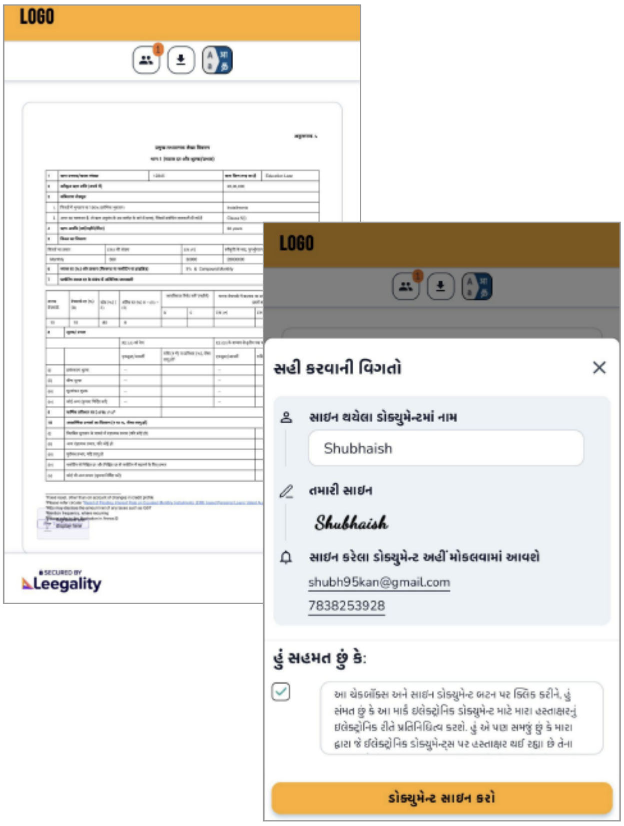
1. Is enforceable in recovery/insolvency proceedings.
2. Will pass RBI audit scrutiny.

5 What if the loan terms change after the KFS is signed?

If there are changes, you must get customer acknowledgement on the revised KFS with updated terms.

6 Should I give borrowers the option to reject KFS?

Yes. Borrowers should have the option to reject the KFS if they disagree with the terms.



Implement RBI-Compliant Digital KFS in Days with Leegality

- Auto-generate & pre-fill KFS
- Vernacular KFS
- Delivery via SMS, WhatsApp, Email
- 15+ ways to eSign and acknowledge
- Auto-store KFS in LOS/LMS
- eSign and eStamp loan kits

25+ lenders trust Leegality to execute digital KFS

AXIS FINANCE · muthoot · ICICI Bank · IIFL · FEDERAL BANK · YES BANK
CreditAccess Grameen · SHIVALIK · HeroFinCorp. · DVARA KGFS · ANNAPURNA FINANCE · ADITYA BIRLA FINANCE

Common mistakes lenders make with their KFS and how Leegality can help

Get a demo + free sandbox account

Build RBI-Compliant Digital KFS

WHO IT'S FOR

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