



DIGITAL LENDING LAWS & CREDIT IN UAE

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ABSTRACT

Digital lending is not merely offering credit and collecting repayments. Split payments, salary advances, and embedded credit lines count as credit too. This paper tracks how UAE rules hit the credit decision, the payment path, and data use. The 2025 Central Bank law covers credit, stored value, retail payments, and open finance services, and tech delivery does not change scope. The paper sets out the Central Bank December 2023 position on short term credit and BNPL, which routes providers through Central Bank approved options: restricted finance company status, approved agent status, or partnership with an authorised bank or finance company. The paper notes that wallets and payment initiation tools can trigger permissions under the Retail Payment Services Regulation. The paper reviews the open finance regulation issued in 2024 and its phased rollout, then it connects that feed with consent risk, data minimisation risk, feature creep, and dispute risk. It explains the federal credit information regime that assigns the bureau role to Al Etihad Credit Bureau and controls report access through consent. It covers Central Bank consumer protection standards on disclosures, fees, fraud warnings, complaint handling, and solvency checks. On identity, the paper covers Central Bank AML guidance and the national KYC digital platform law, which limits KYC data trading and pushes teams to separate identity checks from creditworthiness. It ends with model drift, proxy risk from alternative data, vendor dependence, and human review paths.

KEYWORDS: Digital lending, embedded credit, BNPL, short term credit, UAE Central Bank, Retail Payment Services Regulation, stored value services, open finance regulation, Al Etihad Credit Bureau, credit information statute, consumer protection standards, national KYC digital platform statute, UAE personal data protection statute, DIFC data protection law, ADGM data protection rules, electronic transactions and trust services law, Do Not Call Register, model governance, alternative data, vendor risk, human review

WHAT DIGITAL LENDING MEANS IN REAL LIFE

Digital lending sounds simple. Put a loan on an app, then collect repayment by card or bank transfer.

Real life looks messier.

You may be doing lending without calling it lending.

For example, a checkout screen that lets a customer split a purchase into three payments is still credit. A salary advance tied to a wallet can still be credit. A merchant cash advance can still be credit. A credit line inside a ride hailing or delivery app can still be credit.

Your product may have three parts, because digital lending usually combines:

- a. The credit decision, meaning who gets approved and on what terms
- b. The money movement, meaning how funds get disbursed and how repayment gets collected
- c. What you collect, what you share, and what you use in scoring

Each part can provoke a different requirement, and risk.

Once a model decides who gets credit, it becomes a conduct risk management issue. If the model goes wrong, your customer harm and complaints go wrong.

This note focuses on the UAE angle, with extra attention to a niche problem that people still under discuss, which is how new national data pipes in the UAE, open finance and the national KYC platform, can quietly increase risk if you do not redesign your governance to match.

WHY THIS TOPIC MATTERS FOR ONE'S BUSINESS

If one runs a bank, finance company, fintech, marketplace, or any large merchant that embeds credit at checkout, digital lending matters:

Risk in licensing can kill the business model early.

The UAE draws a line around credit activities and payment activities. If you cross it without the right approval, you move from growth problem to survival problem.

Consumer treatment has now become a priority.

Short term credit and Buy Now, Pay Later grew fast across the region. Laws became tighter and clearer roles, with a lot of focus on disclosures, and complaints.

Data use now lives under multiple rule sets at once.

Lending data may fall under UAE federal personal data rules. It can fall under free zone data rules if you operate in DIFC or ADGM. It can fall under credit reporting rules if you pull or supply bureau data. It can fall under banking secrecy and consumer protection standards if you are a licensed financial institution.

Models create silent risk that shows up late.

model can work fine for months, then drift. Or it can build hidden proxies for protected traits. Sometimes it can rely on a vendor feature you cannot explain to a customer. These issues do not show up in your unit economics, but they do, in disputes, press stories, and questions.

UAE RULES YOU NEED TO KNOW

This section gives you the main pieces that combine into digital lending and algorithmic data metric tallying in the UAE. :

Central Bank licensing perimeter, with a stronger “tech does not change the rule” message

The UAE Central Bank law updated in 2025 matters for digital lending teams because it clarifies the perimeter. Provision of credit facilities, funding facilities, stored value services, retail payment services, open finance services, or licensed financial activities, fall into supervised category of central bank. The law language is broad enough that running the activity through any technological means does not remove it from supervision.

It is important to note that financial free zones sit outside the direct scope of the Central Bank law in many cases, yet the moment you serve UAE mainland customers or plug into mainland rails, you can provoke UAE mainland requirements anyway.

Short term credit and BNPL has a clearer regulation

Short term credit in the UAE mainland now has a clearer Central Bank approach through amendments to the finance companies rules.

The Central Bank public announcement in December 2023 stated that if you provide short term credit, you must either:

- Get licensed under the Central Bank as a license finance company under restricted category, or
- Operate as an approved agent of a licensed bank or licensed finance company (with Central Bank approval), or
- Partner with a licensed bank or finance company.

Payment rails and wallets can pull you into separate licensing

Many digital lenders rely on wallets, cards, payment accounts, payment initiation, and account information tools. In the UAE, those services can provoke separate permissions for retail payment services and card schemes.

The retail payment services regulation describes nine categories of retail payment services. It covers account issuance, instrument issuance, merchant acquiring, payment aggregation, domestic and cross border fund transfer, payment token services, payment initiation, and payment account information services. If your lending app disburses funds and collects repayments through these tools, your structure must be compatible with who holds the payment license and who performs each payment function.

Stored value products can provoke stored value rules too. If you run a wallet or issue stored value in a way that fits the definition, you must connect your obligations around safeguarding, and conduct.

Open finance can change your data and your duties

The UAE Central Bank issued an open finance regulation in 2024, with an implementation approach in phases. By 2025, updates and replacements were published through Central Bank circulars. The public intent is to create a path for sharing data and initiating services on behalf of customers, under a well designed model.

This matters to attach a valuation to data , since Open finance increases data volume and data freshness. That can improve underwriting. It can also increase:

Failure of managing consent

Failure to minimise data

Feature creep in models, where you add variables just because you can

Risk of disputes, where a customer challenges how you used data

If you plan to use open finance feeds in scoring, treat it as a modification of your governance.

Credit reporting and bureau data is controlled in its own lane

UAE credit reporting is not an unregulated free for all. Federal law on credit information sets a controlled model where the credit bureau role is of Al Etihad Credit Bureau, and it restricts others from carrying on the bureau style business of collecting and circulating credit information.

The executive regulation layer adds detail on requesting credit information reports. It references consent requirements and creates duties such as record retention and security expectations.

For digital lenders, this creates a simple rule of thumb. If you want to use bureau data, build a path through the present bureau system. Do not recreate a shadow bureau inside your group.

Consumer treatment rules influence how you record metrics and and declines

The Central Bank consumer protection laws and its standards matter even if your product feels tech first. They define what fair treatment looks like in the UAE financial sector.

The standards speak in operational terms. They talk about disclosures, fees, fraud warnings, complaint handling, and checks around consumer solvency. They reference using credit records and prudent debt burden expectations in consumer lending decisions.

Even if you operate through a partnership model, your bank partner will push these standards into product requirements. If you are licensed directly, you must include them in.

Identity is part of lending risk

Digital lending lives and dies on onboarding quality. The UAE has a mature AML approach for financial institutions, with Central Bank guidance. It deals with customer due diligence, and verification.

The national KYC digital platform law creates a company to develop and manage a KYC platform. It restricts trading, or exchanging KYC data outside the defined purposes, and gives code of conduct powers to the Central Bank.

This matters in two ways.

It can reduce fraud.

It can create temptation to over share KYC data.

You should separate identity verification from creditworthiness in your internal design, even if the same data warehouse stores both.

UAE federal rules plus DIFC and ADGM rules of Data Protection.

The UAE federal personal data protection law sets principles like retention limits connected to purpose completion. If UAE mainland customers are served, these principles are core product rules.

DIFC has its own data protection law. ADGM has its own data protection regulations. Internal contracts must match the zone that governs the processing.

E contracting and e signatures matter for enforceability

The UAE electronic transactions and trust services law sets the legal basis for electronic records, signatures, and trust services. This matters when you rely on click through agreements, e signature, and electronic notices.

If your customer journey has gaps, like missing clear acceptance or missing version control for terms, you create friction with laws at the worst time, after default.

Marketing and telemarketing rules now bite harder

Digital lenders often grow through outbound calls, lead brokers, and aggressive re engagement. The UAE has telemarketing regulations that create a Do Not Call Register..

The Central Bank law language on marketing and promoting licensed financial activities adds another angle. If growth function markets credit products, it should be treated as an important risk area.

ALGORITHMIC CREDIT SCORING, AND THE NARROW NICHES

Most writing on this topic repeats “bias, transparency, explainability.” That is not enough for a UAE lending product. The UAE laws have components of

National identity rails and KYC infrastructure

A credit bureau

Open finance as a channel
Strong consumer protection standards in the financial sector
Cross border population patterns that make data quality uneven

Here are the under discussed issues that show up in reality.

Model governance must exist even if you are just a fintech

If one lends through a bank partnership, the bank will demand model governance that looks like bank governance. If you get licensed, statutes expect you to operate like a financial institution. .

If you cannot explain your key drivers, data sources, refresh frequency, and validation results to your product and risk owners, you are not ready for scale.

Alternative data can quietly create proxy discrimination

The UAE customer base is diverse. Many alternative features can act as nationality, income class, or gender proxies, even if you never collect protected attributes directly.

Examples you should treat as high risk features:

Device language and keyboard settings
Geo patterns that connect too neatly to labor housing or staff accommodation clusters
Employer name, job title text, or shift patterns
Remittance frequency or corridor patterns
App usage patterns which are common for specific communities

What you witness as stability, a customer may experience as unfair.

Customer service should be adept

Customer service teams need scripts that answer questions like why you declined me, what I can do to improve, how I can challenge the decision and whether a human can review it

It is important to give the customer a small set of top factors in plain language, plus a path to correction if data was wrong.

When a customer knows transaction level data was accessed they would question what was seen.

Human review is not a luxury, it is a safety valve

Full automation is tempting in short term credit.

You need defined human review provokes. For example:

Thin file applicants with conflicting data signals

Applicants with high fraud signals yet strong income signals

Customers who get declined after a sudden model update

Customers who claim data errors have a lot to do with bureau information or KYC information

A human review path protects customers. It protects you too. It creates an internal check that can catch model drift and data faults early.

Vendor risk is model risk

Most lenders are not responsible for every part of scoring. They buy:

Device fingerprinting

Fraud scores

Alt data features

Model platforms

Collections tooling

Contracts must give you rights to:

Understand what data categories the vendor uses

Control sub processors

Get incident notification fast

Validate performance and stability

Exit cleanly with data deletion

RISKS AND COMMON MISTAKES

There are mistakes that repeat across markets, specific to UAE

1. They treat BNPL as a merchant discount

If the customer repays over time, it looks like credit. Design and license it like credit.

Rely on a partner license but operate like the real lender.

If credit policy is controlled, one may create a mismatch between legal form and operational reality. That mismatch invites scrutiny.

You bolt on payments without checking payment terms.

A lender that operates payment initiation, aggregation, or stored value without the right approvals creates risk in a separate lane.

You collect more data than you can justify.

Open finance data can be very tempting. Over collection increases privacy risk and increases customer distrust. Use what you can defend.

You cannot explain your model.

A model that you cannot explain becomes indefensible in complaints, audits, or disputes. Your vendor will not rescue you when the customer complaint sits with you.

Telemarketing and lead broker risk ignored.

Outbound credit marketing can cause spikes in complaints and can provoke fast. Treat marketing scripts, call timing, and consent as supervised controls.

e contract hygiene.

If click through acceptance logs are weak, you weaken the application of statute. Fix this early. It pays off later.

RECENT DEVELOPMENTS AND WHAT TO WATCH NEXT

Short term credit and BNPL regulation tightened in late 2023.

This pushed BNPL and similar products into clearer paths through permissions or approved agent models.

Open finance moved from concept to proper implementation.

This creates new opportunities for better underwriting. It creates new data governance duties at the same time.

A national KYC digital platform entered in 2024.

This can change fraud control. It can also change how customers view data confidentiality.

The 2025 Central Bank law update signalled a continued focus on supervision, and the idea that tech delivery does not reduce scope of laws.

Model governance expectations are now explicit enough to use as a set of strict regulations

Even if you are not a bank, your bank partner will expect you to match these standards in practice.

SOURCES AND NOTES

Note 1, UAE Central Bank law update and licensed activities, plus open finance services and the “tech delivery does not change scope” idea: (Central Bank of the UAE)

Note 2, Retail payment services categories and licensing concept for payment service providers:

Note 3, Stored value licensing basis and Central Bank powers around stored value services:

Note 4, Short term credit approach and routes, licensed restricted finance company or approved agent model or partnership:

Note 5, Open finance regulation issuance and purpose statement from the Central Bank public release, plus phased implementation idea referenced in market commentary: (Central Bank of the UAE)

Note 6, Credit information law restriction on non bureau parties doing bureau style credit information activity, and the controlled role of the credit bureau:

Note 7, Executive regulation layer for credit information, consent reference, retention and security duties:

Note 8, Consumer protection regulation and the role of standards, plus consumer protection standards content around disclosures, fraud warnings, credit record checks and debt burden expectations:

Note 9, National KYC digital platform law, confidentiality rules, restrictions on using or trading KYC data, client approval requirement, and Central Bank competences:

Note 10, UAE federal personal data protection principles such as minimization, accuracy, security, retention tied to purpose completion: ([UAE Legislation](#))

Note 11, DIFC and ADGM data protection regimes for free zones: ([Assets U AE](#))

Note 12, UAE electronic transactions and trust services law for e records and e signatures, and UAE consumer protection law e commerce duties, plus telemarketing regulation: ([Assets U AE](#))

Note 13, UAE AML guidance reference point on verification practices for UAE ID card checks within Central Bank licensed financial institutions:

Note 14, Central Bank model management standards as the closest thing to a practical scoring governance playbook, with definitions that directly cover rating and validation expectations: ([Central Bank of the UAE](#))

