

KCBK · NATIONAL TREASURY · ODPC

The Wild West of mobile lending just closed

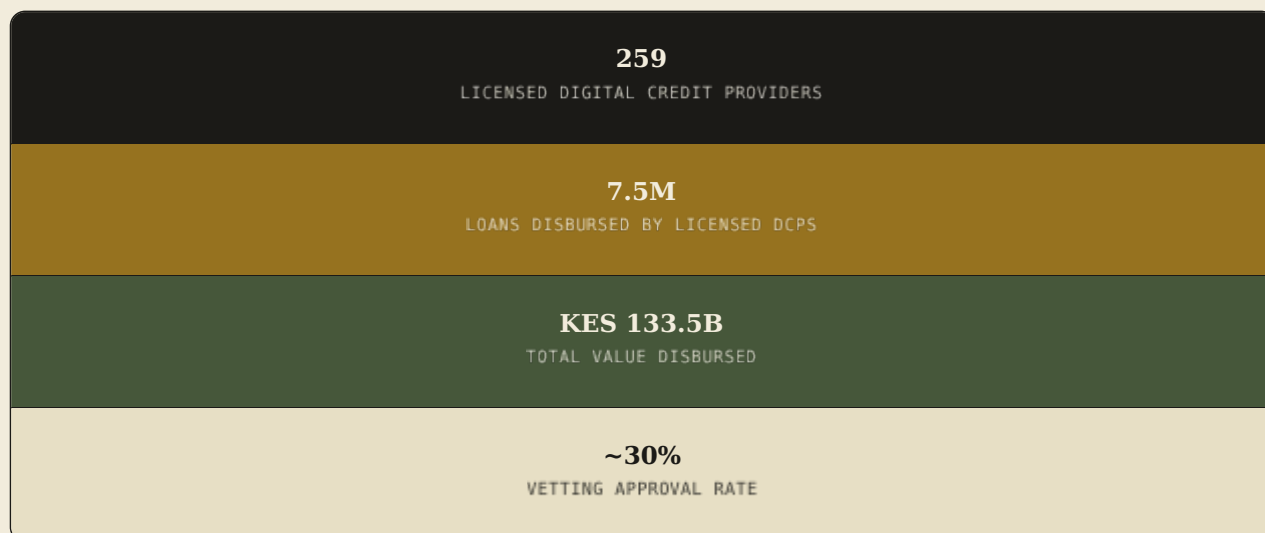
Kenya's digital credit sector has moved from a lightly monitored fintech frontier to a tightly licensed, jointly supervised market. Here's what changed, what it costs to comply, and what it means if you lend, borrow, or invest in the space.

ANALYSIS9 MIN READFINTECH & BANKING

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By mid-2026, the CBK, the National Treasury and the ODPC have jointly dismantled the era of unregulated mobile loan apps. Mandatory licensing, tiered capital thresholds, strict affordability tests, and a hard line on data scraping have reshaped a sector that was, until recently, a regulatory grey zone.



1. Licensing: from 800 applicants to 259 survivors

The CBK accelerated its vetting pace specifically to push out predatory operators. The funnel has been unforgiving.

800+ applications received since the licensing exercise began

Multi-stage CBK vetting – operating during review without clearance means shutdown

259 fully licensed Digital Credit Providers active today

CAPITAL / LOAN BOOK SIZE	REGULATORY STATUS REQUIRED
Below KES 20 million	Registered status — reduced annual fees
KES 20 million and above	Full CBK licence — rigorous ongoing oversight

§2 Identity checks got a lot harder to fake

Text-based sign-up is no longer sufficient. AML and identity-theft concerns pushed verification into biometric territory.

§1 **Live verification.** Lenders now require live selfies matched against national ID data before a loan application is even processed.

§2 **IPRS matching.** Verification systems must interface with the Integrated Population Registration Services database to confirm the applicant matches the registered SIM owner.

§3 **System halts.** Existing borrowers who don't complete updated verification face immediate account suspension — not a warning, a freeze.

§3 The end of debt-shaming

The practice that defined mobile lending's worst years — scraping a borrower's contacts and harassing their network — is now explicitly illegal, with the ODPC and CBK enforcing jointly.

§1 **Zero contact scraping.** Apps are barred from requesting phone contacts, photos, or call logs as a condition of lending.

§2 **Collection limits.** Threatening messages, late-night calls, and contacting an employer are explicit statutory violations.

§3 **CRB fairness threshold.** Negative credit bureau listings are barred for defaults under KES 1,000 — no more ruined credit scores over trivial sums.

WHAT CHANGED FOR BORROWERS

Modern operating systems now flag contact-list access requests, and a user can report an offending app **directly through the ODPC portal** — the complaint pathway that used to not exist at all.

§4 Every fee has to be on the label

Kenya still has no absolute interest rate cap — but nothing you didn't disclose upfront is legally collectible anymore.

STANDARD KEY FACTS STATEMENT

Monthly interest rate 5% – 22% (market range)

Annual Percentage Rate Explicitly stated

Rollover / extension fees Fixed upfront

Any fee not listed here cannot be legally collected

If a lender levies an undeclared fee, the contract becomes legally void and the operator faces statutory penalties — the CBK can also revoke a licence outright where the practical APR is deemed unconscionable.

§5 Before and after, in one table

PRE-REFORM ERA

- Contact list scraping
- Aggressive "debt-shaming" calls
- CRB listing over KES 50 debts
- 100%+ hidden annualised fees

2026 REGULATED MARKET

- Zero phone-data permissions
- Timed, limited SMS reminders only
- KES 1,000 minimum CRB threshold
- Mandatory Key Facts Statements

§6 The regulatory perimeter is widening

This isn't just about cash-loan apps anymore.

§1 BNPL swept in. Buy-now-pay-later platforms for electronics, furniture and appliances now sit under the same consumer protection rules as cash lenders.

§2 PAYG and asset finance included. Smartphone financing and solar-kit lending must meet the same data and consumer protection limits.

§3 Restructuring needs sign-off. Mergers, acquisitions, or transferring a loan book to a debt collector all require prior written CBK consent — closing the door on rogue operators buying up defaulted portfolios.

§7 What non-compliance costs

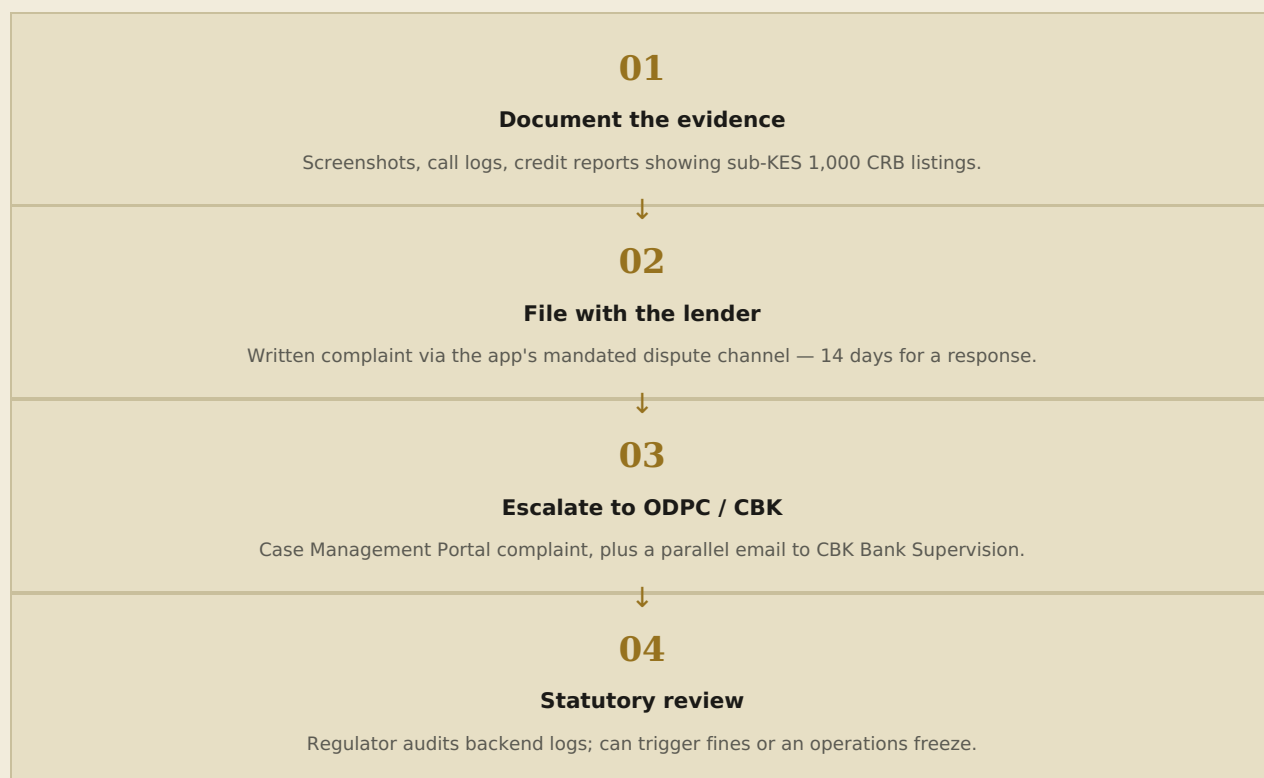
VIOLATION	CONSEQUENCE
Operating without a licence	KES 5,000,000
Unsolicited debt-shaming	KES 5,000,000
Illegal data scraping / mining	KES 5,000,000
Failure to submit KRA returns	Licence revocation

Enforcement extends beyond licensed operators. Unlicensed "ghost apps" distributed via direct APK downloads have drawn a joint response from the Communications Authority and local ISPs, who now block the IP addresses and download domains of rogue lending operations.

§8 How a borrower actually files a complaint

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The dispute pathway is now a defined, four-step process rather than a dead end.



§9 Banks and fintechs, one rulebook

Bank-backed mobile lending (M-Shwari, KCB M-Pesa) used to sit under the Banking Act while standalone apps operated in a vacuum. That gap is closed.

LEVEL PLAYING FIELD

A commercial bank can no longer **auto-enrol an existing account holder into a digital overdraft**, or raise a mobile loan limit, without the same explicit, documented consent a standalone fintech now needs. Uniform consumer protection, equal KES 1,000 CRB thresholds, and standardised Key Facts disclosures apply across both.

§10 What it means for the market

Compliance costs — enterprise-grade encryption, IPRS and CRB integration fees, dedicated compliance officers — have pushed undercapitalised startups toward acquisition rather than survival. Well-funded groups and Tier-2 banks are absorbing smaller licensed lenders for their tech and user bases. At the same time, the predictability of a clear licensing regime has drawn back institutional capital and development finance institutions that had previously stayed away over reputational risk. Regionally, the framework is increasingly viewed as a template the East African Community may harmonise around.

BOTTOM LINE

The compliance bar is real, and it has already forced consolidation. But for lenders that clear it, licensing itself has become a **competitive signal** — proof of stability that both borrowers and investors are now actively selecting for.

HOW THIS TOUCHES YOUR DATA PROTECTION EXPOSURE

Licensed digital lenders don't just face CBK supervision — most also process sensitive personal and

financial data at scale, which brings the Data Protection Act's consent, purpose-limitation, and third-party sharing rules squarely into play alongside the new licensing regime.

Muchangi Patrick & Co. Advocates advises fintechs and digital lenders on data protection compliance, licensing, and how the two regimes interact in practice. If you're navigating the new licensing rules, we can help you cover the data protection side at the same time.

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TALK TO US

Muchangi Patrick & Co. Advocates advises fintechs, startups, corporates and institutions on data protection and data privacy compliance across Kenya — from ODPC registration and DPIAs to outsourced DPO services and cross-border data transfer advisory. If the issues raised above touch your business, we can help you get ahead of them.

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This analysis is for general informational purposes and does not constitute legal or financial advice. Figures reflect reported CBK/ODPC data as of mid-2026 and may be revised as the licensing exercise continues. Consult qualified counsel or a licensed advisor for guidance specific to your operations.

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