
DIGITAL LENDING SERVICES VIA FINTECH APPS IN MAINLAND TANZANIA: IS CONSUMER PROTECTION A REALITY OR RHETORIC?

Donatus N.N. Nditi (LL.B. (Hons), PGDLP, LL.M., Ph.D.), University of Iringa

ABSTRACT

The proliferation of digital lending services explains growth of financial services sector in Tanzania. Digital micro size lending has attracted more consumers and so unpopularized traditional micro lending due to the advantages it offers. It has been an adage that most consumers in Tanzania have been for a long time credulous and gullible, more so now; of digital channels. On this adage, they are presumed to be blinded by the petty advantages over serious repercussions such as unfair competition in the digital credit market, unfair application of consumer protection rules including cybersecurity, personal consumer's data protection and privacy, unfair payment and collection practices, risk of over-indebtedness and other oversights. This paper makes a general surveillance of the legal framework on digital lending and how consumers are actually protected in the real market. The primary source of data is the law itself. The law is gauged against the actual practice as depicted from various other sources. The paper concludes with the way forward for digital financial consumer protection in Tanzania. This is with the view to contributing to the enhancement of the adequate, effective and efficient digital credit consumer protection in the country.

Keywords: Digital Lending, Microfinance, Fintech Apps, Reality, Rhetoric and Consumer Protection.

1. INTRODUCTION

In recent years, digital lending services delivered through fintech applications have emerged as a rapidly expanding segment of Tanzania's financial landscape. Digital lending platforms have dramatically broadened access to credit for individuals and small businesses traditionally excluded from formal banking channels because of the use of mobile apps, automated credit scoring and near-instant disbursement of loans. These services, often accessible twenty four hours a week and requiring minimal paperwork, have been heralded for their role in promoting financial inclusion, particularly among underserved populations who lack physical branches, formal employment, or extensive credit histories.

However, alongside this rapid growth, serious questions have arisen regarding the effectiveness of consumer protections in the Tanzanian context. The regulatory landscape has historically been fragmented. While some digital credit products offered through regulated institutions, such as bank partnerships, fall squarely under the oversight of the Bank of Tanzania (the BoT), many app-based lenders operate outside formal licensing and supervisory frameworks. This regulatory gap has exposed borrowers to various risks, including lack of transparency in pricing, unpredictable repayment terms and limited reporting to credit reference bureaus, which factors can distort credit histories and undermine financial stability.¹

2. A CONCEPTUAL SNAPSHOT

Conceptualization of digital lending service in Tanzania assumes various facets. Foremost, lending is a type of funding in which small loans are disbursed by individuals, rather than banks or other credit institutions.² The term digital lending, which is otherwise called fintech lending, has been defined differently by different source. It has been referred to as obtaining loans online through digital platforms and it has also been referred to as a credit facility or arrangement where money is lent or borrowed through a digital channel.³ Digital Lending is a remote and

¹ Kaffenberger, M., *Digital Credit in Tanzania: Customer Experience and Emerging Risks*, 2018. Available at https://www.cgap.org/sites/default/files/publications/slidedeck/Digital_Credit_in_Tanzania_Customer_Experiences_Emerging_Risks.pdf accessed on 25th December 2025

² E. Heaslip, *Everything Your Small Business Needs to Know About Microlending*, U.S. Chamber of Commerce, 2024, Available at <https://www.uschamber.com/co/run/business-financing/guide-to-microlending-for-business-funding> These loans can be used by entrepreneurs or business owners to get their ideas off the ground or to expand their business with a little extra cash. In that sense, microlending isn't all that different from a small business loan

³ FSD Kenya, *Digital Credit in Kenya: facts and figures from FinAccess 2019*. Focus Note. Nairobi: FSD Kenya, (2019). Available at https://fsdkenya.org/wp-content/uploads/2020/07/Focus-Note-Digital-Credit-in-Kenya_Updated.pdf assessed on 18/09/2024

automated lending process, largely by use of seamless digital technologies for customer acquisition, credit assessment, loan approval, disbursement, recovery, and associated customer service. Digital lending refers to the process of providing loans or credit to individuals and organizations through online platforms, leveraging technical breakthroughs and digital networks.

As a process, digital lending facilitates loan application, disbursement and repayment through digital platforms and electronic channels such as mobile phone applications. This process has therefore excluded the need for traditional face-to-face interactions between borrowers and lenders with the effect of expediting the whole lending process due to its simplicity, efficiency, and accessibility.⁴

Therefore, digital lending via fintech apps in this context means small, short-term loans disbursed through digital platforms, mainly mobile apps or Unstructured Supplementary Service Data (USSD) codes, without the need for traditional banking procedures like physical paperwork or collateral.

Digital lending services were introduced so that they are commercially consumed. That way, they have some implications and impacts on their consumers and so the need for consumer protection. Generally, a consumer is any person who purchases or offers to purchase goods or services otherwise than for the purpose of resale but does not include a person who purchases any goods or services for the purpose of using them in the production or manufacture of any goods or articles for sale.⁵ The Fair Competition Act recognizes lending of money as a service whose consumer needs to be protected.⁶ Relevant in this context is the case of *Tanzania Electric Supply Co Ltd vs Ruth .F. Tunzo*⁷ which stated that the primary purpose of consumer protection law is to protect consumers against, among other things; fraudulent, misleading, or undesirable trading practices; insufficient information and; economic exploitation through lack of competition or excessive prices, i.e, unfair trade practices.

It is from this conceptual snapshot that it is intended to develop an appraisal as to whether micro

⁴ C. Sommer, *Addressing the Challenges of Digital Lending for Credit Markets and the Financial System in Low- and Middle-income Countries*. Germany: Deutsches Institut für Entwicklungspolitik (2021). Also visit

⁴<https://sbi.co.in/web/personal-banking/digital/digitalending#:~:text=What%20is%20Digital%20Lending>
Accessed at 18/09/2024.

⁵ Section 2 of the Fair Competition Act, 2003 No. 8 of 2003 (Cap. 285 R.E 2023)

⁶ Ibid.

⁷ Civil Appeal No. 3 of 2021

digital lending in Tanzania is a legal reality, rhetoric or just losing sight of the real thing.

3. REGULATION OF DIGITAL LENDING IN TANZANIA

Digital lending is regulated by various legal instruments. All these instruments call for protection of consumers of digital lending services. In the main, is the Constitution of the United Republic of Tanzania⁸ which lays the groundwork for the protection of fundamental rights including the right to privacy and personal security.⁹ It ensures that laws, including those related to microfinance, comply with the constitutional principles. Therefore, the constitution sets a legal basis for recognition of right to privacy of consumers in digital lending.

In lining up with the Constitution, the Bank of Tanzania Act¹⁰ gives mandate to the Bank of Tanzania to create mechanisms necessary for protection of consumers of financial services. Albeit the Act does not tell anything related to digital microfinance, it generally gives the power to the Bank to introduce, recognize and regulate digital lending in Tanzania.

Through the Bank of Tanzania (Financial Consumer Protection) Regulations,¹¹ the meaning of financial consumer protection is well defined to mean laws, institutions, practices and policies to safeguard consumer rights, enable consumers to make informed financial decisions and ensure fairness in the provision of products and services by financial service providers.¹² Furthermore, the Regulations compel all banking and financial institutions operating in Tanzania to have in place a consumer protection ascendancy mechanism.¹³ The Bank is mandated to ensure protection of consumers of services provided by various financial services providers, which include inter alia, digital microfinance service providers. This responsibility is given to the Bank in order to maintain consumers' confidence and trust in the financial realm.¹⁴

In ensuring effective consumer protection, the Regulations prohibit financial service providers from engaging in unfair or deceptive market or business practices. practices such as spontaneous loan offers, abusive debt recovery practices, higher interest penalty rates, requiring

⁸ (Cap 2 R.E 2002)

⁹ Article 16

¹⁰ Regulation 38

¹¹ GN No. 884 of 2019

¹² Interpretation section 3 of the Regulations

¹³ Section 4 of the Regulations

¹⁴ Section 5 of the Regulations

payment of un-accrued interest on credit facility, automatically increasing credit limits without prior consent by the consumer; granting automatic overdraft facilities and imposing fees and charges without prior opt-in consent by the consumer, and bundling and tying practices on products or services.¹⁵ Above all, the Regulations require financial service providers to have in place the effective complaints handling mechanism to resolve customer complaints.

The issue of consumer protection in financial sector has also been addressed by the National Payment System Act.¹⁶ The Act provides for the need to maintain and comply with consumer protection principles.¹⁷ In this, the service providers are required to maintain and protect privacy of the consumer by not disclosing consumer information unless if such disclosure is mandatory and is in accordance to the law provisions.¹⁸ The Act has provided for a punishment of a fine of hundred million shillings to anyone who fails to comply with this provision.¹⁹

The Microfinance Act²⁰ is another important instrument that regulates the micro digital lenders.²¹ It provides for consumer protection principles by obliging microfinance service providers to ensure that consumer protection is respected.²² It requires adherence with issues such as vetting of standard contracts, disclosure of relevant information, transparency on interest rates and other charges, methods for debt collection, recovery and attachment of debtor's property.²³

4. THE MAJOR TRENDS IN DIGITAL LENDING

4.1 Rapid Growth of Digital Lending

Digital lending through mobile apps has expanded swiftly in Tanzania, driven by **mobile phone and mobile money penetration** plus the demand for quick credit outside traditional banks. According to the Bank of Tanzania's financial reports, digital credit transactions jumped from **91% to TZS 4.22 trillion** in 2024, with a **65% rise in transaction volume**.²⁴ Other reports

¹⁵ Part VI

¹⁶ No. 4 of 2015 (Cap 437 R.E 2023)

¹⁷ Section 51

¹⁸ Section 47(1)

¹⁹ Section 47(2)

²⁰ No. 10 of 2018 (Cap 407 R.E 2023)

²¹ Section 4

²² Sections 50

²³ Section 51

²⁴ Maricha, J., and Mambali, J., *Digital Credit Hits Tshs 4.22 Trillion as Borrower Demands Soars*, The Citizen, Wednesday, April 02, 2025. Available at <https://www.thecitizen.co.tz/tanzania/business/digital-credit-hits-sh4-22-trillion-as-borrower-demand-soars>> accessed on 25 December 2025

note an **80% surge in digital loan uptake**, showing how pervasive these services have become.²⁵ This explosion reflects **real consumer demand**, especially among individuals and small businesses who lack traditional forms of credit, but it also reveals how quickly this market can outpace regulation and consumer understanding i.e **financial inclusion meets risks**.

4.2 Strengthened Regulatory Frameworks

In response to earlier concerns about predatory practices, the **Bank of Tanzania (BoT)** has taken several high-profile actions. One, it has issued **Guidance Notes and Compliance Standards**. New rules under the **Tier 2 Microfinance Service Providers Guidance Note of 2024** aim at improving **transparency** of fees, charges, interest rates; ensure **responsible lending practices** and ethical borrower treatment, and; protect **consumer data and privacy**.²⁶ Two is about licensing enforcement where the BoT has banned or blocked **a good number of about 69 unlicensed loan apps** for operating without proper authorization, citing risks like debt-shaming, opaque fees, and privacy breaches.²⁷ And three, the Bank of Tanzania has required loan contracts. Licensed providers must now issue **written loan agreements** that clearly state terms, interest, and penalties, and must be **registered and visible to the public**.²⁸

Therefore, these strides signal a **serious regulatory stance** that goes beyond mere rhetoric, they seek to impose compliance, discipline bad actors and bring consumers into a safer framework, which **shifts paradigms from rhetoric to enforcement**.

4.3 Persistent Problems Undermining Consumer Protection

Despite policy improvements, **significant gaps remain** between regulations on paper and real-world protection. For instance, **unlicensed lending still a reality**. Even with BoT's crackdown,

²⁵ Daily News Reporter, *Digital Loans Surge 80 Per Cent with Mobile Convenience*, Daily News, September 2, 2025. Available at <https://dailynews.co.tz/digital-loans-surge-80-per-cent-with-mobile-convenience>> accessed on 25 December 2025

²⁶ Rive & Co., *Compliance Obligations for Digital Lenders According to the Bank of Tanzania's Tier 2 Micro Finance Service Providers Guidance Note 2024*, September 4, 2024. Available at <https://www.rive.co.tz/compliance-requirements-for-digital-lenders-under-tier-2-microfinance-service-providers-guidance-note-2024-from-the-bank-of-tanzania-bot>> accessed on 25 December 2025

²⁷ Takwa, E., *Bank of Tanzania Blocks 69 Unlicensed Loan Apps*, Daily News, November 21, 2024. Available at <https://dailynews.co.tz/bank-of-tanzania-blocks-69-unlicensed-loan-apps>> accessed on 25 December 2025

²⁸ Sehloho, M., *Tanzania bans unlicensed digital lenders*, Connecting Africa, May 14 2024. Available at <https://www.connectingafrica.com/fintech/tanzania-bans-unlicensed-digital-lenders>> accessed on 26 December 2025

many apps previously operating without oversight had already issued loans, created data privacy risks, or developed harmful debt practices. Enforcement tends to be reactive rather than preventative.²⁹ Also, high interest rates, aggressive collections, and credit scoring penalties based on repayment history still occur in some fintech environments. These can harm financially vulnerable users who lack awareness of their rights. Community sentiment from users reflects these concerns, e.g., credit scoring issues and reputational risks after defaulting.

Furthermore, many borrowers lack the financial literacy to fully understand loan terms or evaluate whether a lender is licensed, this is a **critical weakness in real consumer protection**. Enforcement doesn't automatically translate into informed choice. Similarly, there still issues to do with data protection weaknesses. Albeit regulations restrict unauthorized access to personal information, **historical data collection practices and technical enforcement** remain uneven, especially when apps pre-collected data before new guidelines took effect.³⁰

5. THE ACTUAL MARKET PRACTICE

Despite the legal, regulatory and administrative efforts, measures and strides made as above, on-the-ground practices reveal serious ongoing problems between real market practices and consumer protection realities. There are still persist continued harassment and unethical debt collection. Reports indicate digital lenders, especially unlicensed ones, engage in harassment, including mass texts or messages to family, friends, and employers; threatening borrowers with public exposure and alleged bribery demands to avoid embarrassment.³¹ These practices blatantly violate basic consumer protection norms and show a lack of effective enforcement. Consumer protection, in this sense, is not fully realized.

There is also **lack of comprehensive legal coverage**. Academic and legal reviews suggest existing laws in Tanzania are **fragmented** and do not fully cover the specific issues arising from fintech lending. Consumer rights protections are broad but not specific to fintech; financial

²⁹ Ndege, A., *Tanzania targets predatory loans: central bank excludes unlicensed apps*, East Africa, FinTech, News, 13 May 2024. Available at <https://techcabal.com/2024/05/13/tanzania-central-bank-excludes-unlicensed-apps>> accessed on 26 December 2025

³⁰ Lucas, G., *Brief Summary and Analysis of the Guidance Note on Digital Lenders under Tier 2 Microfinance Service Providers, 2024*, October 3, 2024. Available at <https://sba.co.tz/brief-summary-and-analysis-of-the-guidance-note-on-digital-lenders-under-tier-2-microfinance-service-providers-2024>> accessed on 26 December 2025

³¹ Mirondo, R., *Public outcry as unregulated online loan apps continue to harass borrowers*, THE CITIZEN, Saturday, October 18, 2025. Available at <https://www.thecitizen.co.tz/tanzania/business/public-outcry-as-unregulated-online-loan-apps-continue-to-harass-borrowers>> accessed on 26 December 2025

services regulations cover banks and microfinance, but many digital lenders operate in ambiguous legal spaces and mobile money and M-money related lending falls partly outside the central regulatory scope. This gap results in **regulatory ambiguity**, where lenders exploit loopholes and consumers lack clear legal recourse.

Enforcement challenges and consumer awareness weakness are a true stumbling block.

Even after bans and guidelines, many apps reportedly continue to issue loans under different names hence raising enforcement hurdles against unethical behavior. This hurdle is also heightened by the fact that consumers are often unaware of how to report violations or do so ineffectively.³² Not only that but also people may not check whether apps are licensed; many borrowers are unaware of their rights or how to report violations to the Bank of Tanzania. Indeed, reporting systems such as Sema na BoT exist but are not widely used or effective in deterring misconduct.³³

Recognizing these challenges and risks, the Bank of Tanzania has taken significant steps to strengthen oversight. In 2024, BoT issued a Guidance Note specifically targeting digital lenders categorized as Tier 2 microfinance service providers, which are non-deposit-taking entities that provide loans through digital platforms. The guidance aims to enforce core consumer protection principles, including transparency in loan terms, fair pricing, responsible debt collection practices, and protection of personal data and customer privacy. Non-compliance now carries administrative sanctions, including fines, suspension of digital lending activity, and potential revocation of operating licences.³⁴

Despite these regulatory advances, the reality of consumer protection remains contested. On one hand, the introduction of clearer compliance requirements represents a tangible policy effort to align digital lending with established financial sector norms. On the other hand, widespread instances of unlicensed operators, predatory practices, and ongoing challenges in enforcement suggest that protections are still more rhetorical than fully realized. As Tanzania seeks to balance innovation with borrower safeguards, the evolving regulatory framework and its implementation will play a critical role in determining whether digital lending delivers

³² Mirondo, R., *ibid.*

³³ *Ibid.*

³⁴ Jamax, F., *Govt issues guidance for digital lenders*, Daily News, September 26, 2024. Available at <https://dailynews.co.tz/govt-issues-guidance-for-digital-lenders> accessed on 26 December 2025

inclusive, ethical credit access, or simply replicates the pitfalls of unregulated markets.

6. ACTIONS TAKEN BY VARIOUS PLAYERS AGAINST DIGITAL LENDERS ON VIOLATION OF CONSUMER PROTECTION

6.1 Bank of Tanzania Enforcement Actions

Actions taken by the Bank of Tanzania including administrative actions and issuance of Guidance Note has already been discussed above.

6.2 Personal Data Protection Commission (PDPC) and Data Protection Enforcement

While PDPC decisions specific to digital lenders are not widely reported, there are reported actions and warnings from the data protection authority about misuse of personal data that relate to digital lending practices. The PDPC has publicly cautioned online lenders against collecting and using personal data of loan applicants in unauthorized ways and warned that misuse can lead to legal actions (including fines).³⁵

6.3 Court Decisions Interpreting Consumer and Digital Rights Laws

In the case of *Tito Magoti v. Attorney General*³⁶ High Court of Tanzania delivered a ruling in May 2024 calling for clarity/amendment of certain sections of the Personal Data Protection Act (PDPA) because they were vague and could impede effective data protection enforcement. This case involved interpretation of the PDPA provisions, which are central to protecting digital lending customers' personal data rights and it held that sections of PDPA unclear and ordered amendment within a year to ensure effective data protection.³⁷

Following the review of the judges, they concluded that two provisions of the PDPA sections 22(3) and 23(3)(c)(e) were found to be vague, thus opening the door for potential misuse. Section 22(3) states, "A data controller shall not collect personal data by unlawful means." The problem, however, according to the judges, is that this provision does not clarify what means

³⁵ Guardian Reporter, *Data commission: Lenders risk fines*, The Guardian, Nov 26 2024. Available at <https://www.ippmedia.com/the-guardian/news/local-news/read/data-commission-lenders-risk-fines>> accessed on 26 December 2025

³⁶ Miscellaneous Civil Cause No. 18 of 2023

³⁷ Digwatch, *High court of Tanzania calls for clarity on personal data protection act*, 13 May 2024. Available at <https://dig.watch/updates/high-court-of-tanzania-rules-calls-for-clarity-on-personal-data-protection-act>> accessed on 26 December 2025

are considered unlawful that would prevent data controllers from collecting users' data. This case is relevant and important because strong PDPA enforcement underpins consumer protection claims against digital lenders that misuse personal data.

6.4 Reported Consumer Harms Linked to Digital Lending

Even without published judicial cases, numerous documented breaches and harms highlight the consumer protection issues to do with harassment and defamatory digital debt collection that could form the basis for court actions. It is clear in the knowledge of public domain that borrowers have reported that unregulated digital lending platforms send threatening, defamatory messages to borrowers' contacts and misuse personal data.³⁸ Victims and legal experts note that these practices could support lawsuits for harassment or unlawful data use, though few suits have been publicly reported.³⁹ Notwithstanding the existence of legal regime addressing consumer protection and digital lending, there are no widely published court judgments specifically holding digital lenders liable in Tanzania for consumer protection, instead; enforcement has largely been regulatory.⁴⁰

7. THE FINDINGS

The Microfinance (Non-Deposit Taking Microfinance Service Providers) Regulations requires the microfinance service provider collect or recover a loan from borrower in accordance with recovery procedures prescribed in its lending policy.⁴¹ The provision goes further to require the microfinance service providers to ensure that the procedures for debt collection or recovery comply with the consumer protection principles and not to use threats, violence, abusive languages, access to customer phone book during debt collection process.⁴² However, the law as well as the Guidance Note do not address the manner in which digital microfinance service providers can employ during recovery and collection of debts. The provision of the Regulation is too general and not practicable in digital microfinance regime. As a result, in practice, the modes and manners involved in debt collection violate consumer protection principles.

³⁸ Mirondo, R., *ibid.*

³⁹ *Ibid.*

⁴⁰ Karashani, B., *Tanzania cracks down on unlicensed digital lenders*, The East African, Thursday, November 21, 2024. Available at <https://www.theeastafrican.co.ke/tea/business-tech/tanzania-cracks-down-on-unlicensed-digital-lenders>> accessed on 26 December 2025.

⁴¹ Rule 56

⁴² As prescribed under rule 56(2) (a-e) and Paragraph 5.1 (f)(i-vii) of the Guidance Note on Digital Lenders under Tier 2 Microfinance Service Providers, 2024

The Regulations⁴³ and the Guidance Note⁴⁴ require the service providers to ensure that they seek and obtain guarantor consent and that they issue a written statement to inform the guarantor about the loan, amount of the loan, name of the borrower and the borrowers signature. However, both the Regulations and the Guidance Note are silent as to whom can be a loan guarantor, what are the qualifications of a loan guarantor, how the consent of the loan guarantor may be dully obtained in terms of the signature, identification and other issues authenticating consent. Therefore, since the law is silent as far as loan guarantor's affairs in digital lending is concerns it remains upon the lending policy of the platform to decide how that consent will be obtained. As a result, in practice; people end up being guarantors of loans that they have no idea about.

Equally weakening consumer protection in this context is that the punishment imposed on consumer protection related breach of the law is not sufficient enough compared to the damages suffered by the victims and the financial gains and benefits accrued by the service providers. due to that it contributes a lot in increase of problems relating to consumer protection in digital lending specifically app-based credits. Example a penalty of the amount to be determined by the Bank of Tanzania of not less than five hundred thousand shillings and not more than five million shillings is charged against anyone who fails to comply with the Regulation.⁴⁵ This connotes that the lesser penalties and punishment given to service providers that contravene the provisions of the law are not sufficiently deterrent and so encourage further breaches and violations of consumer rights in financial services in Tanzania mainland.

As a final analysis, both the Regulations and Guidance Note have provisions that are inadequate in ensuring consumer protection since some provisions are not practicable as far as digital lending environment is concerned.

After the above discussion, the question is whether consumer protection a reality or rhetoric? According to the discussion in this article, the answer could be the protection is partly a reality and partly rhetoric.

It is a reality on papers because the regulatory frameworks now explicitly embed consumer protection principles. The Bank of Tanzania **actively revokes and blocks unlicensed apps** and demands transparency. Also, loan contracts with clear terms are now required. Indeed, these

⁴³ Rule 55

⁴⁴ Paragraph 5.1 (o)

⁴⁵ Rule 60(1)(h)

changes have **tangible impact on market structure** and raise the floor for fintech compliance. Yet, many digital lenders still operate illegally or continue unethical practices; consumer harassment continues with little legal punishment, and; regulatory enforcement is reactive and often slow. However, protection is rhetoric in practice and remains fragile because many borrowers still use apps before they are vetted or fully compliant; there is limited consumer awareness limits the effectiveness of protection in practice, and; enforcement is **reactive and often slow because** harm occurs before redress.

Therefore, consumer protection in Tanzania's digital lending sector has evolved from a largely rhetorical promise into **actual regulatory initiatives** with teeth. However, **practical realities, enforcement lags, limited awareness, and persistent risky practices.** Regulations exist conceptually but are not yet fully enforced to protect citizens effectively. **This thus means that protection is not yet fully realized in consumers' everyday experiences.**

8. RECOMMENDATIONS FOR STRENGTHENING PROTECTION

It is recommended that to bridge the gap between intention and reality, there should be provided public education on rights and how to verify licensed lenders; there should be improvements on faster enforcement mechanism to prevent harmful lenders from operating; there should be enhanced stronger data privacy enforcement with deserving, proportionate and commensurate penalties for breaches, and there should be effective independent dispute resolution channels for borrowers' complaints.

9. WAY FORWARD

Tanzania needs to move from **rhetoric to reality as far as digital lending services are concerned. To be able to achieve this, the relevant** stakeholders need a coordinated set of reforms and actions as follows;

9.1 To Strengthen Enforcement and Oversight

This may be achieved by establishing a viable and an active digital lender registry by putting in place a regularly updated mechanism of approved digital lenders to help consumers distinguish licensed providers from unlicensed ones. This will serve improvement on transparency and reduce exposure to predatory services. Daily News To make this meaningful, clear enforcement protocols must be in place and that the Bank of Tanzania should publish

enforcement actions such as fines, suspensions and bans openly to deter non-compliance.

9.2 To Enact Comprehensive Data Protection Legislation

It is a plain fact that consumer protection today depends on strong data privacy rights in terms of who can access, share or store personal borrower data and under what conditions. In this case, data protection and digital rights law that should be aligned with international best practices and recognized principles, such as those outlined in the General Data Protection Regulation (GDPR),⁴⁶ is very important to mandate explicit consent and limit data access strictly to what's necessary to service the loan.

9.3 To Standardize Consumer Protection Rules Across All Providers

It appears that now there are no standardized consumer protection rules across all service providers and therefore each provider has their own rules in their policies. Therefore, standardization of the rules such as those relating to interest rate caps and service fee limits are imperative to prevent usurious cost structures. Closed related to the foregoing, it is also imperative to specify ethical debt collection practices that are backed by legal penalties. If these are put in place will enhance predictability and fairness in the marketplace, especially for low-income borrowers.

9.4 To Create Accessible Grievance and Redress Mechanisms

Alongside the existing judicial system, The Bank of Tanzania has established the digital consumer system resolution system which started working from January 2025. Important thing here is that this system should be a dedicated ombudsman or fintech dispute resolution body that could be responsible for resolving complaints timely and fairly. This step suggests a transition from general enforcement based on systemic complaints to a more formal consumer complaint adjudication system that will generate specific determinations once fully operational.⁴⁷

⁴⁶ Regulation (EU) 2016/679, EU's Official Journal (OJ L 119, 4 May 2016) and its entry into force date (May 25, 2018)

⁴⁷ The Tanzania Times, *Central Bank of Tanzania Launches Digital Consumer System Resolution*, December 23, 2025. Available at <https://tanzaniatimes.net/bank-of-tanzania-launches-digital-consumer-resolution-system> accessed on 26 December 2025

9.5 Encourage Responsible Innovation through the Regulatory Sandbox and Balancing Innovation with Protection

At the Bank of Tanzania there are have been put, and indeed there should be, in place a viable and effective fintech regulatory sandbox. This should feasibly enable testing of new services under an effective supervision of the Bank. This as well vests a responsibility on regulators to use the sandbox insights in order to shape policy in a data-driven way and so offer safe pathways for compliant fintech lenders to scale responsibly.⁴⁸ This will enable effective and respectful digital lending services that can expand financial inclusion by offering credit to underserved groups. However, without **robust consumer protection**, it risks things like exploitative practices; data abuse and financial vulnerability for low-income borrowers. In this context therefore, the way forward lies in **harmonizing innovation with enforceable rights and safeguards**. This makes it a reality beyond rhetoric.

9.6 Expand Financial Literacy and Public Awareness

With all the above, it is very imperative then to have programs geared toward consumers' financial literacy. These programs should include awareness of how to verify licencing status, key contract elements to watch and the rights when facing harassment or abusive debt collection. Various channels as is appropriate may be used to facilitate this goal.

10. CONCLUSION

Digital lending services delivered through fintech applications are rapidly transforming Tanzania's financial landscape by making credit more accessible, especially for underserved and previously excluded populations. In recent years, the number and value of digital loan transactions have surged, demonstrating strong demand for fast, convenient credit solutions that bypass traditional banking hurdles. This growth has also highlighted the vital role that mobile-based lending plays in advancing financial inclusion and supporting micro-entrepreneurs, individuals, and small businesses across urban and rural areas.

However, the rapid proliferation of digital lenders has outpaced regulatory frameworks, leading to significant challenges such as unlicensed operators, opaque pricing practices, and risks to

⁴⁸ BoT, *Financial Technology Innovations: Bank of Tanzania Fintech Regulatory Sandbox*. Available at <https://www.bot.go.tz/DFDI/Sandbox>> accessed on 26 December 2025

consumer protection. In response, the Bank of Tanzania has strengthened oversight, cracking down on unauthorized digital loan apps and issuing updated guidance to promote transparency, fair pricing, and responsible lending. These regulatory efforts aim to stabilize the digital lending ecosystem and protect borrowers from exploitation.

For Tanzania to fully harness the potential of fintech-enabled lending, continued focus is needed on improving digital literacy, expanding access to reliable internet and smartphones, and enhancing consumer trust through clear regulations and education. With these supportive measures, digital lending can become a sustainable engine for financial inclusion, economic empowerment, and broader participation in the digital economy. **Consumer protection today is more** rhetoric than reality, However, with the ongoing regulatory efforts and growing enforcement, one can remain optimistic that it may become more substantive over time.