



Consumer Protection

Predatory Lending

Barrier Definition

This barrier refers to lending practices that use unfair, deceptive, or abusive tactics to lead a borrower to take on a loan whose terms disproportionately benefit the lender. **Predatory lending includes the imposition of abusive loan terms on borrowers, aggressive and coerced debt collection, and the exploitation of low financial or digital literacy.** It is most prevalent in markets with weak consumer protection regulation and in the digital credit sector.

Why is this barrier important?

Women face structural vulnerabilities that increase their exposure to predatory lending. They are more likely than men to have lower digital and financial literacy, less prior experience with credit products, and fewer assets to use as collateral. These vulnerabilities make women more susceptible to loan offers with opaque pricing, aggressive terms, or unsolicited outreach—and less able to identify or dispute unfair practices when they occur. These practices undermine the trust in DFS.

While digital lending specifically is extending credit to millions of women previously excluded from formal finance, it is also scaling the conditions under which predatory practices thrive: limited regulatory oversight, low borrower digital and financial literacy, and automated approval processes that prioritise loan issuance over informed consent.

Connected Barriers



Digital & Physical Infrastructure

- Distance from financial service points
- Lack of female agents
- Lack of diversity in distribution channels



Consumer Protection

- Fear of making mistakes
- Non-transparent production information
- Fear of privacy violations



Institutional Norms & Practices

- Lack of strategic focus on women



Entry & Capability Barriers

- Limited personal exposure to DFS
- Low data footprint among women



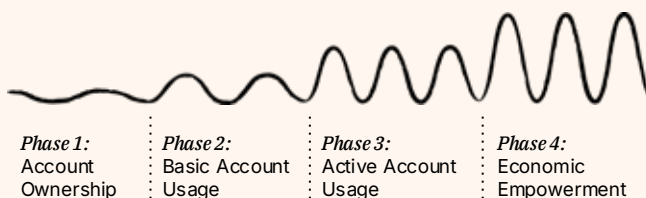
Product & Market Design

- Poor understanding of women's financial needs

Most Relevant Segments

1	2	3	4
Excluded, marginalized	Excluded, high potential	Included, underserved	Included, Not underserved

Customer Journey Relevance





Key evidence relevant to this barrier

The rapid growth of digital credit has outpaced consumer protection frameworks in many markets, creating environments where predatory practices are difficult to detect, remedy, or measure, particularly by sex. The absence of regulatory oversight has allowed practices that would be prohibited in formal banking to proliferate in the digital lending sector.

- When borrowers miss payments due to income shocks, digital lenders frequently respond with aggressive debt collection and high penalty fees — compounding financial distress rather than managing it. For women with irregular or informal income, the exposure to this cycle is particularly acute. ([IMF, 2020](#))
- Digital credit and embedded finance can expand access to working capital for women, but they can also scale over-indebtedness, mis-selling, data misuse, and weak redress mechanisms. Responsible digital credit requires practical safeguards across the entire customer journey—from loan offer to repayment—to manage these risks. ([CGAP, 2025](#))
- Predatory and unauthorized digital lending apps intrusively harvest customer data and target financially distressed borrowers with expensive loans. When borrowers cannot repay, lenders deploy abusive debt collection tactics—including social shaming—to force repayment, a practice that falls disproportionately on women. Without adequate redress mechanisms, borrowers cannot renegotiate terms and instead take on additional loans to cover existing ones, deepening over-indebtedness. ([CGAP, 2022](#))
- In Tanzania and Kenya, 27% and 19% of digital borrowers respectively reported at least one form of poor transparency — unexpected fees, unexpected withdrawals, or failure to understand loan costs or terms. Repayment stress was significant in both markets: 20% of Kenyan and 9% of Tanzanian borrowers cut food purchases to repay a loan. The paper does not disaggregate transparency or food reduction data by sex, but it does find meaningful gender differences in borrowing purposes: in Tanzania, women were more likely than men to use digital loans for business needs, medical costs, and school fees — welfare-critical expenditures where loan non-performance carries particularly severe household consequences. ([CGAP, 2018](#))
- A study of Airtel's digital credit product in Malawi found that many borrowers paid loans back late, incurring fees of up to 32.5% of the loan value—far exceeding rates disclosed in the official terms and conditions. Critically, the true fee structure was not transparently disclosed: the official documentation stated a 2.5% late fee every 15 days, but the actual fee was 12.5%. The research team itself only discovered the real fee structure after obtaining administrative data from Airtel. ([Brailovskaya et al., 2021](#))
- Lenders routinely send unsolicited loan invitations to consumers who have expressed no borrowing intent, manufacturing demand and increasing the risk of over-indebtedness. Once borrowers engage, lenders rarely disclose the full cost of the loan on the mobile interface where the decision is made, and key terms are buried or inaccessible. Women — who are less likely to have prior credit experience and more likely to rely on informal information channels — are particularly poorly positioned to identify unfavorable terms before accepting. ([AFI, 2017](#))



Key evidence relevant to this barrier

- A lab experiment with low-income consumers in Mexico and Peru found that without structured disclosure, fewer than half of participants identified the cheapest available loan product—even when all products were presented to them simultaneously. Only when given a standardized Key Facts Statement did the probability of choosing the cheapest credit product improve substantially. The implication for predatory lending is direct: when loan products are complex, undisclosed, or presented informally, low-income borrowers—particularly those with limited financial literacy—systematically fail to identify unfavorable terms. ([World Bank, 2017](#))

Sex-disaggregated evidence on predatory lending’s direct, differential impact on women remains limited. Structural factors such as lower digital and financial literacy, higher reliance on informal and digital credit, and borrowing for welfare needs, however, suggest that women face heightened vulnerability to predatory lending.

- Gender-based discrimination in formal credit markets is well-documented and compounds women's vulnerability to informal and digital credit. In Turkey, 35% of loan officers surveyed showed gender bias, with women awarded \$14,000 less on otherwise identical applications; a separate study found women were 30% more likely to be asked for a guarantor. In Chile, women's loan requests were 18.3% less likely to be approved — dropping further for officers with stronger pro-male preferences. In Uganda, gender bias against individual female entrepreneurs was driven by beliefs about women's entrepreneurial abilities. The cumulative effect is to push women away from regulated formal credit and toward digital and informal channels where consumer protections are weakest. ([IPA 2025](#))

- CGAP's 2022 research confirms that digital finance risks hit women hardest. Women are more likely to be discriminated against in formal credit markets and to face higher effective borrowing costs, pushing them toward informal and digital credit channels with weaker consumer protections. ([CGAP, 2022](#)).

The enabling conditions for predatory lending are rooted in regulatory frameworks that have not kept pace with the growth of digital credit—and that often lack gender-specific data or protections. Closing these gaps is essential for ensuring digital credit works for, rather than against, women's financial inclusion.

- Low regulation of digital credit providers poses risks to consumer protection via predatory digital lenders, while also constraining the lending capabilities of more reputable digital lenders. In Kenya, unregulated digital credit providers and informal moneylenders have become major sources of credit, often without transparency, oversight, or accountability frameworks. Digital borrowers had the highest default rate of any loan type in Kenya — 21% of digital borrowers reported defaulting on at least one loan from any lender. ([Dalberg, 2021](#), [FSDK, 2019](#))
- The rising popularity of fintech companies is raising concerns about the proliferation of predatory lending practices, including higher interest rates, confusing loan terms, and non-transparent operations—particularly in markets where digital lending regulatory frameworks are still nascent.