



KENYA'S NON-DEPOSIT TAKING CREDIT PROVIDERS REGULATIONS, 2026

17th October 2026

Legal and regulatory guide for digital credit providers, non-bank lenders, buy-now-pay-later (BNPL) businesses, peer-to-peer lending platforms, fintech companies, financial institutions, foreign investors and credit technology providers.

EXECUTIVE SUMMARY

Kenya has introduced a significantly expanded regulatory framework for non-bank lending through the [Central Bank of Kenya \(Non-Deposit Taking Credit Providers\) Regulations, 2026](#) (Legal Notice No. 191 of 2026) (the “**Regulations**”), made on 4 September 2026 and gazetted on 29 September 2026. The Regulations are made under the [Central Bank of Kenya Act](#) (Cap. 491) (the “**CBK Act**”), following amendments introduced by the [Business Laws \(Amendment\) Act, 2024](#), which extended the CBK’s mandate from digital credit providers to all non-deposit-taking credit providers (**NDTCPs**).

Revoking and replacing the [Central Bank of Kenya \(Digital Credit Providers\) Regulations, 2022 \(Legal Notice No. 46 of 2022\)](#), the new framework extends Central Bank of Kenya (CBK) oversight beyond conventional digital lenders to qualifying buy-now-pay-later (BNPL) providers, peer-to-peer (P2P) lending platforms, consumer finance companies and other non-deposit-taking credit providers.

Key reforms include a two-tier CBK licensing and registration regime, a KES 20 million regulatory threshold, significantly increased application and annual fees, enhanced credit pricing and annual percentage rate (APR) disclosures, prior approval



of new credit products and interest-rate changes, a prescribed order for appropriating repayments, a prohibition on lending in foreign currency, restrictions on interest recoverable from non-performing loans, stronger consumer protection standards and safeguards governing artificial intelligence (AI) in lending decisions.

The Regulations also introduce substantial administrative penalties, increased accountability for directors and senior officers, and a six-month transitional compliance period for newly regulated providers, while deeming existing digital credit licences to be licences under the new framework.

For digital lenders, fintech companies, BNPL and P2P platforms, financial institutions and investors, the reforms necessitate a review of licensing requirements, capital adequacy, corporate governance, credit products, pricing, debt recovery, data protection and AI governance.

This CM Regulatory Alert examines the principal legal, regulatory and commercial implications of Kenya's new non-deposit-taking credit framework and outlines practical measures for CBK licensing, fintech regulatory compliance, investment structuring and responsible lending.

1. KENYA'S EXPANDED REGULATORY FRAMEWORK FOR NON-DEPOSIT-TAKING CREDIT PROVIDERS

The Regulations represent a significant development in Kenya's financial services regulation, replacing the narrower digital credit provider regime with a broader framework governing non-deposit-taking credit business.

The expanded regulatory perimeter is relevant to credit provided through mobile applications, online lending platforms, physical channels, merchant partnerships, embedded finance arrangements and other commercial structures.

Depending on their activities, affected businesses may include digital lenders, consumer finance companies, BNPL providers, P2P lending platforms, asset financing businesses and other non-bank credit providers. Peer-to-peer lending is permitted only through collective investment schemes regulated under the [Capital Markets Act \(Cap. 485A\)](#) or as otherwise approved by the CBK, and a letter of no objection from the [Capital Markets Authority](#) is required before the CBK's approval (regulation 17).

Regulatory classification depends on the substance of the lending activity rather than the technology, delivery channel or commercial description adopted by the provider. Accordingly, businesses should assess who advances credit, assumes credit risk, determines lending terms, owns receivables and undertakes loan recovery. Not every deferred-payment, instalment sale or commercial credit arrangement necessarily constitutes regulated non-deposit-taking credit business. Applicable statutory exclusions and the economic substance of the transaction must be considered.

Regulation 3(3) excludes, among others, institutions licensed under the [Banking Act \(Cap. 488\)](#) and the [Microfinance Act \(Cap. 493C\)](#), credit guarantee providers regulated under the CBK Act, [co-operative societies](#) and [Sacco societies](#), credit that is merely incidental to the sale of goods or services by a person whose primary business is the supply of those goods or services, regulated lease finance, hire-purchase arrangements under the [Hire-Purchase Act \(Cap. 507\)](#), and persons approved by the CBK whose business falls outside the definition of a "financial institution" under the [Proceeds of Crime and Anti-Money Laundering Act \(Cap. 59A\)](#). Conversely, an NDTCP may not itself offer credit that is merely incidental to the sale of goods or services (regulation 18(2)).

2. CBK LICENSING AND REGISTRATION: THE KES 20 MILLION REGULATORY THRESHOLD

The Regulations establish a two-tier supervisory framework intended to distinguish between larger credit providers and qualifying smaller operators.

Regulatory category	Principal requirement
Licensed non-deposit-taking credit provider	Initial capital of at least KES 20 million
Registered non-deposit-taking credit provider	Initial capital below KES 20 million
Annual licensing fee	KES 500,000 (on grant and annually by 31 December)
Annual registration fee	KES 250,000 (on grant and annually by 31 December)
Application fee (licence or registration)	KES 100,000 (non-refundable)
Late payment of annual fee	Double the annual fee if paid within three months after 31 December (regulations 7(5) and 10(5)); the Third Schedule also prescribes a KES 1,000,000 late penalty fee. The CBK may revoke the licence or registration if fees remain unpaid

The registration framework provides a proportionate regulatory pathway for smaller credit businesses. However, registration does not exempt providers from applicable consumer protection, governance, disclosure, data protection and supervisory obligations.

Credit providers should establish internal monitoring systems to track capital, borrowings and loan-book growth and determine when transition to the licensing category becomes necessary.

For foreign investors, financial institutions and fintech businesses, the distinction has important implications for market-entry strategy, capitalisation, business planning, investment structuring and regulatory due diligence.

3. TRANSITIONAL COMPLIANCE REQUIREMENTS FOR EXISTING DIGITAL LENDERS AND NEW ENTRANTS

The Regulations introduce transitional arrangements for existing credit providers and businesses newly brought within the CBK's regulatory perimeter.

Existing digital credit providers licensed under the Digital Credit Providers Regulations, 2022 are deemed licensed under the new framework, subject to applicable continuing compliance requirements. Regulation 96 gives deemed licensees no separate adaptation period, so they must comply with the new operating requirements from commencement. Rights and liabilities accrued under the 2022 Regulations continue.

Previously unregulated providers conducting activities within the expanded regulatory perimeter must apply for the appropriate licence or registration within six months of publication. Applicants may continue to conduct business pending the CBK's determination (regulation 96(2)). Carrying on non-deposit-taking credit business without a licence or registration contravenes regulation 5 and section 33S of the CBK Act and may also affect the enforceability of the provider's loans.

The six-month transitional period, calculated from publication on 29 September 2026, expires on 29 March 2027, subject to section 57 of the Interpretation and General Provisions Act (Cap. 2).

Affected businesses should use this period to assess their regulatory status, capital position, corporate governance, lending products, contractual documentation and operational compliance.

The transitional arrangements should not be treated as a general exemption from other applicable statutory or regulatory requirements.

4. CBK APPROVAL OF LENDING PRODUCTS AND INTEREST-RATE CHANGES

The Regulations strengthen regulatory oversight of credit product development and lending rates.

Credit providers must obtain the CBK's prior written approval for the introduction of new credit products and for changes to the features of existing products, including interest rates, and must provide a justification for the proposed change (regulation 26).

Affected borrowers must receive at least 30 days' notice before changes to interest rates, pricing parameters or other credit terms take effect, and such changes require the customer's acceptance (regulations 54(7) and 55).

These obligations are particularly significant for lenders using dynamic pricing, automated interest calculations, risk-based lending, short-term digital loans and technology-driven

credit products.

Providers should establish documented product governance procedures addressing regulatory approval, pricing methodology, contractual amendments, customer communications and implementation controls.

Product innovation and credit pricing decisions must be aligned with regulatory approval requirements before implementation.

5. CREDIT PRICING TRANSPARENCY, ANNUAL PERCENTAGE RATE AND DISCLOSURE OBLIGATIONS

The Regulations strengthen transparency in lending through all-inclusive credit pricing and disclosure of the annual percentage rate (APR).

Lenders must clearly disclose the total cost of credit, including applicable interest, fees, charges and repayment obligations, enabling borrowers to make informed financial decisions.

Loan agreements must state the total cost of credit (principal, interest, fees, charges and other liabilities), the periodic interest rate and the APR, and whether interest is charged on a reducing balance (regulation 54(4)). Advertising, marketing and promotional materials must include the APR and the components of the total cost of credit, both of which must also be prominently displayed at business premises and on websites (regulation 51). Providers must also prepare key information documents summarising each product's benefits, risks and terms (regulation 48), and pricing models must be all-inclusive of charges other than third-party costs (regulation 59).

Credit providers should review their loan agreements, digital application interfaces, marketing materials, repayment schedules and pre-contractual disclosures to ensure consistency with the prescribed requirements.

Charges described as processing fees, facilitation fees, platform-access fees, technology charges or administrative expenses should be assessed according to their economic substance and regulatory treatment.

Providers should avoid contractual or technological arrangements that obscure the true cost of borrowing.

6. EARLY LOAN REPAYMENT RIGHTS AND PROHIBITED ADDITIONAL CHARGES

The Regulations reinforce borrowers' rights to settle credit facilities before contractual maturity without early repayment penalties or additional interest attributable to periods following repayment.

Lenders should review their loan agreements, amortisation schedules, settlement calculations and automated repayment systems to ensure compliance.

This requirement is particularly relevant to digital microloans, instalment credit, consumer finance and BNPL arrangements.

Early settlement processes should distinguish between lawfully accrued obligations and charges that are not recoverable following repayment.

7. NON-PERFORMING LOANS, INTEREST RECOVERY LIMITS AND DEBT COLLECTION

The Regulations introduce important restrictions on interest recoverable from non-performing credit facilities.

Once a loan becomes non-performing, the amount recoverable is limited to the principal owing at that date, contractual interest not exceeding that principal, and reasonable expenses incurred in recovery (regulation 29). Interest above this cap cannot be recovered through judicial proceedings, although the cap does not limit interest accruing under a court order after it is made. Where a borrower resumes payments and the loan becomes non-performing again, the cap is measured from the latest date of non-performance. Recovery expenses must be strictly necessary and itemised to the customer (regulation 43). The rule mirrors the in duplum rule applicable to banks under section 44A of the Banking Act (Cap. 488).

The Regulations distinguish between short-term and longer-term loans when determining non-performing status. A loan is also non-performing where a payment remains outstanding beyond the default period specified in the loan agreement, which must also be set out in the provider's credit policy (regulation 57).

Loan category	Non-performing classification
Loans with a tenor of 30 days or less	After 30 days of default
Loans with a tenor exceeding 30 days	After 90 days of default

These provisions have significant implications for loan accounting, interest accrual, credit risk management, portfolio valuation, debt recovery and litigation.

Credit providers should review existing loan portfolios, default classification procedures, interest calculations and recovery systems to ensure that amounts demanded remain legally recoverable.

The Regulations also prescribe the order in which repayments are appropriated: payments are applied first to principal due, then to outstanding fees and charges, and finally to interest (regulation 56(2)). Lenders should reconfigure their loan management systems and loan agreements accordingly, as this order departs from the waterfall commonly used in commercial and syndicated (including LMA-based) facilities.

8. CONSUMER PROTECTION, RESPONSIBLE LENDING AND FAIR DEBT RECOVERY

The Regulations introduce stronger safeguards against abusive lending and debt collection practices.

Prohibited conduct includes harassment, public shaming, improper contact with borrowers' telephone contacts and collection calls outside working hours (regulation 30).

A person cannot be held liable as a guarantor without having consented to the guarantee. Recourse against a guarantor is permitted only after all non-judicial recovery measures against the borrower have been exhausted and the guarantor has been given 14 days' notice of the borrower's default (regulation 42). Where debt collection is outsourced, the customer must be told who will collect and how before collection begins (regulation 44). The CBK may also order refunds of amounts recovered in excess of what is owed or of undisclosed charges (regulation 30(5)). App-based providers must allow customers to opt out of marketing communications, including after full repayment (regulation 27(3)).

Lenders must ensure that internal recovery teams, outsourced collection agencies and other service providers observe applicable consumer protection and privacy requirements.

Providers should maintain documented debt collection policies, customer complaint procedures, staff training, monitoring arrangements and contractual safeguards governing recovery agents.

Outsourcing debt collection does not remove the regulated lender's responsibility for compliance with applicable consumer protection requirements.

9. ARTIFICIAL INTELLIGENCE IN LENDING: TRANSPARENCY, EXPLAINABILITY AND HUMAN OVERSIGHT

The Regulations introduce express safeguards concerning the use of artificial intelligence and

automated decision-making in credit assessment (regulation 60).

Where AI is used in lending decisions, customers must be informed when they are interacting with an AI system rather than a human, decisions must be explainable, and effective human oversight must be maintained. Providers must also undertake risk assessments to identify and mitigate discriminatory bias and unfair outcomes, and ensure that AI models are technically robust and accurate and that data privacy and security are adequately managed.

The final decision to grant a loan cannot be outsourced (regulation 31(1)(a)).

These requirements are particularly relevant to businesses using machine learning, automated credit scoring, alternative data analytics, behavioural profiling and algorithmic affordability assessments.

Credit providers should implement AI governance arrangements covering model validation, transparency, explainability, accountability, human intervention, audit trails and third-party technology oversight.

The use of external AI systems or credit scoring providers does not displace the regulated lender's accountability for credit decisions.

These requirements operate alongside section 35 of the Data Protection Act (Cap. 411C), which entitles data subjects not to be subject to a decision based solely on automated processing, including profiling, that produces legal or similarly significant effects, subject to limited exceptions.

10. DATA PROTECTION, CYBERSECURITY AND DIGITAL LENDING TECHNOLOGY

Non-deposit-taking credit providers routinely process personal and financial information, including identification records, credit histories, payment details, device information and behavioural data. Their operations must comply with the [Data Protection Act \(Cap. 411C\)](#), applicable subsidiary regulations and relevant CBK requirements. Priority areas include lawful

processing, privacy notices, data minimisation, cybersecurity controls, retention policies, data subject rights, cross-border transfers and safeguards for automated decision-making.

The Regulations set a higher consent standard than many lenders currently apply. Consent to process personal data must be express, specific, freely given and withdrawable, and must be obtained through a separate consent form that does not form part of the loan offer or terms and conditions. A privacy notice alone does not satisfy this requirement (regulation 58). Lenders relying on cloud infrastructure, outsourced credit scoring, third-party technology platforms or external loan servicing arrangements should ensure that contractual documentation adequately addresses confidentiality, information security, regulatory access and operational resilience.

Providers must comply with appropriate cybersecurity standards (regulation 61) and notify the CBK within 24 hours of any fraud or cybersecurity incident that may significantly affect their services, reputation or status (regulation 66(8)). Outsourcing arrangements require at least 30 days' prior notice to the CBK, and contracts must give the CBK access to the service provider's premises, records and systems (regulation 31). Personal data breaches must also be notified to the Data Commissioner within 72 hours under section 43 of the Data Protection Act.

Regulation 18 prohibits NDTCPs from carrying on payment services and transfer of funds, foreign exchange business, trust operations, deposit taking, savings products and credit reference bureau business, and from taking cash as security or charging registration or membership fees. Lending platforms that also wish to offer digital wallets, payment gateways or stored-value services should therefore provide them through a

separate entity authorised under the National Payment System Act, 2011, and review any security trustee or facility agent roles within their financing structures.

11. CORPORATE GOVERNANCE, OUTSOURCING AND REGULATORY ACCOUNTABILITY

The Regulations reinforce the importance of effective corporate governance and management accountability within the non-bank credit sector. Boards and senior management should maintain appropriate oversight of credit risk, consumer protection, financial reporting, regulatory compliance, technology, outsourcing and operational resilience.

Providers should establish clear internal responsibilities for licensing, product approvals, regulatory reporting, customer complaints, credit policies and compliance monitoring. Significant shareholders, directors, the chief executive officer and senior officers of licensed providers must be certified by the CBK as fit and proper (regulation 14); for registered providers, this applies only as the CBK may specify. Providers must notify the CBK at least 30 days before changes in significant shareholding, the board or senior management (regulation 15(6)), maintain at least one registered physical office in Kenya (regulation 16), and remain liable for the acts and omissions of outsourced service providers (regulation 31(2)).

Foreign-owned credit providers should also assess corporate establishment, beneficial ownership disclosure, management arrangements, taxation, intra-group services and applicable cross-border regulatory requirements. Regulatory compliance should be integrated into the lender's business model, governance structures and operational processes rather than addressed solely during licensing.

12. CBK ENFORCEMENT POWERS, ADMINISTRATIVE PENALTIES AND DIRECTOR LIABILITY

The Regulations introduce significant administrative penalties and strengthen regulatory accountability.

Enforcement measure	Potential consequence
General monetary penalty	Up to KES 2 million or three times the gain made or loss avoided, whichever is higher
Responsible senior officer	Penalty of up to KES 250,000, payable from the officer's own resources
Continuing contravention	Up to KES 10,000 for each day, or part of a day, the breach continues
Director or officer disqualification	Three years, across all NDTCPs and CBK-licensed entities

The enforcement framework reinforces the need for documented compliance systems, effective board oversight, timely remediation and appropriate regulatory engagement. Monetary penalties apply to each violation separately (regulation 87). The CBK may also prohibit a provider from granting new loans, borrowing, using particular delivery channels or service providers, or carrying on particular permissible activities, and may suspend or revoke a licence or registration (regulation 86). Directors and senior officers should ensure that regulatory responsibilities are clearly assigned, monitored and reported.

13. FOREIGN INVESTMENT, FINTECH MARKET ENTRY AND FINANCIAL SECTOR TRANSACTIONS

The Regulations have significant implications for foreign investors, venture capital firms, private equity funds, financial institutions and multinational businesses entering or expanding within Kenya's credit market. Investment and transactional due diligence should address licensing status, capital requirements, product approvals, loan portfolio quality, pricing compliance, debt collection practices, data protection, AI governance and potential enforcement exposure.

For BNPL and embedded finance arrangements, particular attention should be given to the allocation of lending responsibilities, credit risk, receivables ownership and regulatory obligations between merchants, technology providers and financing institutions.

Acquisitions, investments and corporate reorganisations should also assess whether changes in ownership, management, capital structure or business activities trigger regulatory notifications or approvals. In particular, a transfer of 10% or more of the shares or beneficial interests in an NDTCP requires the CBK's prior approval, any acquirer of 10% or more must be certified as fit and proper, and transfers of 50% or more are prohibited during the first 12 months of operation. Providers must also notify the CBK at least 30 days before entering into any third-party investment or financing arrangement, and acquisitions or mergers between NDTCPs require a letter of no objection or authorisation from the Competition Authority of Kenya (regulation 22).

Investors should also note that NDTCPs may not disburse loans in foreign currency (regulation 18(1)(h)) and may not obtain favourable or concessional facilities from group companies other than in the normal course of business and at

arm's length (regulation 15(5)). These restrictions may affect foreign-funded lending models, foreign-currency facilities and intra-group financing structures.

Regulatory compliance is increasingly material to transaction valuation, investment risk allocation and post-acquisition integration.

14. PRACTICAL COMPLIANCE ROADMAP FOR NON-DEPOSIT-TAKING CREDIT PROVIDERS

Affected businesses should adopt a coordinated compliance programme addressing the following priorities.

Compliance area	Recommended action
Regulatory classification	Determine whether the business falls within the NDTCP framework or an applicable exclusion
CBK licensing and registration	Assess capital thresholds, application requirements, fees and transitional deadlines (applications by 29 March 2027)
Corporate governance	Review board oversight, senior management accountability and compliance controls
Credit product approvals	Identify products and pricing changes requiring CBK approval
Credit pricing and disclosures	Review APR calculations, interest, fees, contractual terms and customer notices
Non-performing loans	Update default classification, interest accrual, repayment appropriation and debt recovery procedures
Consumer protection	Review borrower communications, complaints handling and collection practices
Artificial intelligence	Implement AI transparency, explainability, human oversight and model governance
Data protection and cybersecurity	Review ODPC compliance, outsourcing, information security and cross-border transfers
Corporate transactions	Assess investment structures, regulatory due diligence and change-of-control requirements
Ongoing compliance	Establish regulatory reporting, monitoring, staff training and supervisory engagement procedures

Priority should be given to regulatory classification, transitional applications, product approvals, credit pricing, debt recovery practices and technology governance.

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Our multidisciplinary team advises on CBK licensing and registration, regulatory compliance, corporate structuring, credit product approvals, commercial contracts, consumer protection, AI governance, data protection, financial technology, regulatory investigations, investment transactions and cross-border expansion in Kenya and East Africa.

Contact Us:

For advice concerning CBK licensing and registration, non-deposit-taking credit providers, digital lending, buy-now-pay-later arrangements, peer-to-peer lending, credit pricing, consumer protection, artificial intelligence in lending, financial services regulation, corporate governance, commercial contracts, business structuring, regulatory compliance, investment transactions or related disputes, please contact:

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