RETHINKING ALTERNATIVE DISPUTE RESOLUTION FOR CONSUMER JUSTICE IN AI-ENABLED FINANCIAL ADVICE IN INDIA

by

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ABSTRACT

The blend of artificial intelligence (AI) into financial advisory assistance has substantially reshaped the facilities of investment advice, portfolio management, credit assessment and financial planning in India. AI-enabled services, such as robo-advisors and algorithm-driven financial tools. These services promise streamlined, economical and customized decision processes. Although, the gradual increase in the reliance on automated financial advice also amplifies the serious concerns for consumer justice, especially with respect to the algorithmic opacity, biased outcomes, data misuse, deceptive sales tactics and ambiguous attribution of liability in cases of financial harm. Traditional litigation mechanisms are often inadequately equipped to address these challenges that come about from AI-enabled financial services due to their technical complexity, prolonged timelines and gaps in domain-specific judicial expertise in algorithmic decision-making. Consequently, consumers may experience crucial limitations in accessing timely and effective remedies. This paper advances the view that Alternative Dispute Resolution (ADR) presents a practical and prospective framework to tackle consumer complaints in AI-enabled financial advice. However, provided it is revisited to manage such challenges arising from algorithmic systems. The study analyses remodelling the outlook of AI-powered financial advisory services in India. It also looks into the fundamental consumer safeguards from the challenges posed by the automated decision-making processes. With reference to the existing regulatory frameworks regulating financial services, consumer protection and data privacy, it emphasises the gaps in dealing with concerns particular to AI-driven financial advice. The analysis is further informed by empirical research on consumer engagement with AI-based financial advisory platforms, where proactive disclosure, clarity of decision-making and answerability concerns are shown through the improved adoption. In light of these circumstances, the paper examines how alternative dispute resolution mechanisms address challenges arising from AI-driven financial advice. The paper

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explores the development of technology-responsive ADR frameworks, including the establishment of specialized fintech mediation panels and the integration of technical expertise into dispute resolution, complemented by regulatory oversight to ensure fairness and protect consumers. It further draws on comparative insights from international practices in fintech dispute resolution to inform and strengthen the Indian context. The paper discusses that rethinking ADR methods for AI-enabled financial advisory challenges are utmost essential for innovation in digital finance with the necessities of consumer justice. A well-developed, comprehensible and transparent ADR framework can become instrumental in protecting the consumer interests while focusing on the responsible growth of AI-driven financial services in India.

Keywords: Alternative Dispute Resolution, Artificial Intelligence, Financial Advisory Services, Consumer Protection, Algorithmic Accountability, Fintech Regulation, India.

INTRODUCTION

The swift transformation of B2C Financial Services with the help of artificial intelligence (AI) in India has crucially reshaped the way in which financial guidance is formulated, presented and applied. AI-enabled financial advisory tools like robo-advisors, algorithmic investment platforms, automated credit assessment systems and personalised financial planning applications, are rapidly being adopted by consumers for major financial decision-making[1]. It is often marketed that such AI based systems are neutral, logical and advanced substitute to the human advisors, which has increased the levels of consumer trust in algorithmic decision-making process and advisory systems.[2] The scale of this adoption is considerable: the Indian robo-advisory market alone was valued at approximately USD 512.31 million in 2025 and is projected to grow at a compound annual growth rate exceeding thirty per cent through 2034, driven by rising smartphone penetration, younger investors and demand for low-cost, algorithm-driven wealth management[3].

[1]Dirk A. Zetzsche et al., Artificial Intelligence in Finance: Putting the Human in the Loop, 34 J. Fin. Regul. 1 (2020).
[2]OECD, Artificial Intelligence in Society (OECD Publ'g 2019).
[3]IMARC Group, 'India Robo-Advisory Market Size, Share, Trends and Forecast by Business Model, Service Type, Provider, End User, and Region, 2026–2034' (IMARC Group, 2026) <https://www.imarcgroup.com/india-robo-advisory-market> accessed 19 September 2026.

On the other hand, there are new forms of consumer vulnerability that can be seen due to the increasing trust on the AI-driven financial advice. Algorithmic systems often operate through opaque, proprietary models that limit consumer understanding of how financial recommendations are generated.[4] This "black-box" nature of AI decision-making aggravates information asymmetry between financial service providers and consumers, making it difficult for consumers to assess the fairness, accuracy or relevance of the advice received.[5] Empirical and theoretical studies have further shown that the algorithmic systems may copy or boost existing social and economic biases that is present within training data, which results in discriminatory or exclusionary outcomes in credit scoring, investment allocation and risk profiling.[6]

These issues are majorly important given the shift expansion of digital finance and fintech platforms in the India and which is added up with growing policy focus on AI-led financial inclusion.[7] The regulatory bodies in India such as the Securities and Exchange Board of India (SEBI) and the Reserve Bank of India (RBI) have come up with sector-specific guidelines governing digital financial services, current regulatory frameworks are largely focused on preventative regulatory measures and disclosure obligations, which has resulted in limited guidance on ex post dispute resolution for concerns faced from algorithmic financial advice.[8] This ex ante orientation persists even in the most recent regulatory initiative: in August 2025 the RBI released the report of its Committee on the Framework for Responsible and Ethical Enablement of Artificial Intelligence (FREE-AI), which sets out twenty-six recommendations on governance, capacity building and risk mitigation for AI use by regulated entities, yet remains largely silent on structured, ex post consumer redress for algorithmic harm[9]. So, consumers who bear financial loss

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[4]Frank Pasquale, The Black Box Society: The Secret Algorithms That Control Money and Information (Harvard Univ. Press 2015).
[5]Julie E. Cohen, Law for the Platform Economy, 51 U.C. Davis L. Rev. 133 (2017).
[6]Solon Barocas & Andrew D. Selbst, Big Data's Disparate Impact, 104 Calif. L. Rev. 671 (2016).
[7]NITI Aayog, National Strategy for Artificial Intelligence: #AIForAll (2018).
[8]Sec. & Exch. Bd. of India, Consultation Paper on Amendments/Clarifications to the SEBI (Investment Advisers) Regulations, 2013 (7 Oct. 2016); Reserve Bank of India, Ombudsman Scheme for Digital Transactions (2019), subsumed w.e.f. 12 Nov. 2021 within the Reserve Bank – Integrated Ombudsman Scheme, 2021.
[9]'RBI Unveils FREE-AI Framework to Drive Ethical AI Adoption in Finance' Storyboard18 (14 August 2025) <https://storyboard18.com/digital/rbi-unveils-free-ai-framework-to-drive-ethical-ai-adoption-in-finance-78934.htm> accessed 19 September 2026.

due to inaccurate, faulty, biased and inappropriate AI-enabled advice frequently face significant procedural and evidentiary barriers in seeking effective remedies.

Such challenges expose the limitations of traditional adjudicatory mechanisms in resolving disputes involving AI-enabled financial services. Courts and consumers are often compelled by delays, high costs and limited technical expertise. This results in courts rendering them inapt to adjudicate disputes involving complex algorithmic systems.[10] This is not a hypothetical concern: more than six hundred thousand consumer complaints remain pending across the district, state and national consumer commissions in India, with several state commissions recording disposal rates below fifty per cent despite recent digitisation efforts[11]. Such systemic delay illustrates the practical stakes of channelling technologically complex, AI-related grievances into an already overburdened adjudicatory system. However, to these structural inefficiencies, Alternative Dispute Resolution (ADR) mechanisms have been promoted as accessible, efficient and cost-effective approach for consumer redressal.[12] The Consumer Protection Act, 2019 itself reflects this policy shift by formally recognising mediation as a consumer dispute resolution mechanism.[13]

But, in India the existing ADR frameworks are largely designed to focus on conventional commercial and contractual disputes. It may not be well-equipped to respond to the unique challenges presented by the AI-enabled financial advice. Issues such as algorithmic opacity, unequal bargaining power between consumers and financial institutions, lack of technical expertise among ADR neutrals and the increasing use of mandatory arbitration clauses in standard-form digital contracts raise serious concerns regarding the ability of existing ADR mechanisms to deliver substantive consumer justice.[14] The increased use of technology-driven dispute resolution mechanisms further limits this scope of focus, raising questions about whether technological efficiency may come at the cost of fairness, transparency and accountability.[15]

[10]Law Comm'n of India, 129th Report on Urban Litigation and Alternative Dispute Resolution (1988).
[11]'Frequent Adjournments Leading to Pendency of Cases at Consumer Courts: Experts' (Moneylife, 2023) <https://moneylife.in/article/frequent-adjournments-leading-to-pendency-of-cases-at-consumer-courts-experts/67529.html> accessed 19 September 2026.
[12]Frank E. A. Sander, Varieties of Dispute Processing, 70 F.R.D. 111 (1976).
[13]Consumer Protection Act, No. 35 of 2019, §§ 37–38 (India).
[14]Karen Yeung, Algorithmic Regulation: A Critical Interrogation, 12 Reg. & Governance 505 (2018).
[15]Ethan Katsh & Orna Rabinovich-Einy, Digital Justice: Technology and the Internet of Disputes (Oxford Univ. Press 2017).

Given these circumstances, the paper look into examining the role of Alternative Dispute Resolution in safeguarding consumer justice in disputes arising from AI-enabled financial advice in India. It claims that while ADR holds potential as a tool for enhancing access to justice in algorithmic markets, existing frameworks require major rethinking and fine-tuning to tackle the unique risks associated with AI-driven decision-making. By analysing doctrinal advancements, regulatory practices and comparative international approaches, the paper aims to propose a consumer-centric ADR framework capable of addressing algorithmic opacity, correcting power asymmetries and ensuring meaningful remedies in India's evolving AI-enabled financial ecosystem.

LITERATURE REVIEW

Legal and regulatory scholarship on artificial intelligence in finance predominantly emphasises the efficiency, scalability and cost-reduction potential of algorithmic systems. A study argues that AI has fundamentally altered financial intermediation by displacing human discretion with automated, data-driven processes, thereby reshaping traditional advisor–client relationships.[16] This transformation is frequently framed as enhancing market efficiency and expanding access to financial services, particularly through automated investment advice and data-driven financial planning tools.

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Policy-oriented literature similarly acknowledges the transformative impact of AI in financial markets. The OECD recognises artificial intelligence as a key driver of innovation in financial services, particularly in the context of robo-advisory platforms and automated decision-making systems, while simultaneously cautioning against unchecked reliance on algorithmic outputs without adequate governance safeguards.[17] In the Indian regulatory context, engagement with AI-enabled financial advice has largely focused on compliance, market stability and operational oversight, as reflected in SEBI's regulatory approach to investment advisers and emerging robo-advisory services. However, this body of literature tends to prioritise innovation, competitiveness

[16]Dirk A. Zetzsche, Douglas W. Arner, Ross P. Buckley & Janos Nathan Barberis, From FinTech to TechFin: The Regulatory Challenges of Data-Driven Finance, 14 N.Y.U. J. L. & Bus. 393 (2017).
[17]OECD, Artificial Intelligence in Society 63–68 (OECD Publ'g 2019).

and systemic efficiency, offering comparatively limited engagement with consumer protection and dispute resolution concerns arising from algorithmic financial advice.

A growing body of interdisciplinary scholarship addresses this omission by examining the risks inherent in algorithmic decision-making in consumer markets. Pasquale's influential concept of the "black box society" highlights how proprietary algorithms evade public scrutiny while exerting significant control over individuals' economic lives, including access to credit, investment opportunities and financial mobility.[18] Such opacity intensifies information asymmetry and undermines meaningful consumer consent, particularly in contexts where algorithmic outputs are presented as neutral or objective.

Building on this critique, Calo identifies automation bias and digital market manipulation as structural features of algorithmic systems, arguing that consumers are predisposed to defer to automated recommendations perceived as technologically superior.[19] This deference can obscure embedded errors, biases and exploitative design choices within algorithmic models. Barocas and Selbst further demonstrate that data-driven decision-making systems are capable of reproducing and amplifying discriminatory outcomes, particularly in credit scoring and financial profiling, even in the absence of explicit intent to discriminate.[20] These dynamics are not merely theoretical in the Indian context: empirical research on algorithmic fairness in Indian lending has documented that digital lending applications frequently assess creditworthiness using proxies such as call and messaging patterns, the number of stored contacts and even mobile gaming behaviour, measures that tend to favour digitally affluent, urban male borrowers and disadvantage women and rural applicants with thinner digital footprints[21]. Collectively, this literature establishes that algorithmic finance generates distinctive forms of consumer vulnerability that challenge traditional legal frameworks premised on transparency, human judgment and identifiable accountability.

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Parallel scholarship on dispute resolution has traditionally promoted Alternative Dispute Resolution as an efficient, informal and cost-effective alternative to formal litigation. Sander's

[18]Frank Pasquale, The Black Box Society: The Secret Algorithms That Control Money and Information (Harvard Univ. Press 2015).
[19]Ryan Calo, Digital Market Manipulation, 82 Geo. Wash. L. Rev. 995 (2014).
[20]Solon Barocas & Andrew D. Selbst, Big Data's Disparate Impact, 104 Cal. L. Rev. 671 (2016).
[21]Nithya Sambasivan and others, 'Re-Imagining Algorithmic Fairness in India and Beyond' (2021) Proceedings of the 2021 ACM Conference on Fairness, Accountability, and Transparency 315 <https://doi.org/10.1145/3442188.3445896> accessed 19 September 2026.

foundational work conceptualises ADR as a flexible mechanism capable of tailoring procedures to the nature of the dispute.[22] More recent scholarship extends this logic to Online Dispute Resolution, with Katsh and Rabinovich-Einy emphasising the potential of technology-enabled dispute resolution to enhance access to justice in digital markets characterised by high-volume, low-value disputes.[23] In the Indian context, policy-oriented research increasingly advocates ODR as a solution to the mounting backlog of consumer disputes arising from digital commerce and financial services.

However, existing ADR and ODR literature largely assumes transparency of information, procedural parity between disputing parties and the capacity of adjudicators or neutrals to meaningfully assess evidence. These assumptions do not hold in disputes involving opaque, proprietary algorithmic systems, where consumers face significant informational and technical disadvantages. Despite extensive scholarship on AI governance, consumer vulnerability and ADR, Indian legal literature has yet to systematically examine the intersection of AI-enabled financial advice, consumer justice and dispute resolution mechanisms. Moreover, empirical insights into Indian consumer trust in AI-based financial advice and the implications of such trust for dispute resolution remain scarce. This paper seeks to address these gaps by combining doctrinal analysis with original survey data to critically evaluate whether existing ADR frameworks are capable of securing meaningful consumer justice in AI-enabled financial markets in India.[24]

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Research methodology and data sources

This paper adopts a predominantly doctrinal and analytical methodology, examining statutory frameworks, regulatory guidelines, judicial developments and scholarly literature relating to consumer protection, artificial intelligence and alternative dispute resolution. In addition, the paper incorporates primary empirical data collected through a survey conducted to assess consumer trust and perceptions of AI-enabled financial advisory services in India.

[22]Frank E.A. Sander, Varieties of Dispute Processing, 70 Fed. R. D. 111 (1976).
[23]Ethan Katsh & Orna Rabinovich-Einy, Digital Justice: Technology and the Internet of Disputes (Oxford Univ. Press 2017).
[24]Ethan Katsh & Orna Rabinovich-Einy, Digital Justice: Technology and the Internet of Disputes (Oxford Univ. Press 2017).

The survey was administered to 50 respondents, primarily consisting of users of AI-based financial advice, robo-advisory platforms and digital investment services. The questionnaire focused on levels of trust in AI-driven financial advice, user understanding of algorithmic decision-making, perceived transparency and concerns relating to accountability and dispute resolution. While the survey sample is limited in scope and geographic representation, the findings are used illustratively to support doctrinal analysis and highlight emerging trends in consumer behaviour rather than to make statistically generalize claims.

Table 1: Summary of Survey Findings on Consumer Perception

Source: Primary data

Survey Parameter	**Response Category**	**Percentage of Respondents**	**Observations Relevant to Study**
Use of AI-based financial advisory platforms	Yes	88%	Indicates high adoption of robo-advisory and digital investment tools
	No	12%	Minority with no direct exposure
Trust in AI-generated financial advice	High/Moderate Trust	84%	Demonstrates strong consumer reliance on algorithmic advice
	Low/No Trust	16%	Limited scepticism despite opacity concerns
Understanding of how AI makes decisions	Clear Understanding	18%	Very small segment understands algorithmic functioning
	Partial/No Understanding	82%	Significant transparency gap between trust and knowledge
Awareness of data used by AI systems	Aware	22%	Limited awareness of data inputs and profiling methods
	Unaware	78%	Reinforces information asymmetry
Knowledge of dispute resolution options if harmed	Aware	26%	Few respondents know how to challenge AI decisions
	Unaware	74%	Highlights gap between reliance and redress

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Concern about accountability if AI gives wrong advice	Concerned	90%	Strong anxiety regarding who is responsible
	Not Concerned	10%	Minimal indifference

AI-ENABLED FINANCIAL ADVICE: CONCEPT, SCOPE AND RISKS

Understanding ai-driven financial advisory systems

AI-enabled financial advisory systems refer to the use of algorithmic and data-driven models to provide financial recommendations with minimal or no human intervention. These systems include robo-advisors offering automated investment advice, algorithmic credit-scoring tools employed by banks and fintech platforms and automated portfolio management services that dynamically rebalance assets based on consumer profiles. Such systems rely on machine learning techniques, large datasets and predictive analytics to personalise financial advice at scale, often marketed as efficient, objective and cost-effective alternatives to traditional human advisors.

In India, the growing deployment of these technologies is reflected in regulatory recognition, particularly through SEBI's guidelines on robo-advisory services. However, while these frameworks acknowledge the operational legitimacy of algorithmic advice, they do not sufficiently engage with the downstream implications of AI-driven decision-making for consumer rights and remedies.

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Consumer Vulnerability in Algorithmic Finance

The increasing reliance on AI-enabled financial advice exacerbates existing forms of consumer vulnerability within financial markets. Algorithmic systems deepen information asymmetry, as consumers are typically unable to access or understand the logic, data inputs, or assumptions underpinning automated recommendations. Financial service providers, by contrast, retain exclusive control over proprietary models and decision-making architectures.

This asymmetry is further intensified by the opacity of algorithmic systems, often described as "black-box" decision-making. The lack of explainability undermines informed consent and weakens consumers' ability to question or contest financial advice. Behavioural research additionally identifies the phenomenon of automation bias, wherein individuals tend to over-rely on algorithmic outputs due to perceptions of technological objectivity and neutrality.

These theoretical concerns are reinforced by the survey findings. The survey indicates that approximately 84% of respondents expressed trust in AI-generated financial advice, while nearly 88% reported prior use of AI-based financial advisory or investment platforms. Despite this high level of reliance, respondents demonstrated limited understanding of how algorithmic decisions are made, revealing a significant disconnect between trust and transparency. While the survey is not statistically representative, it offers valuable insight into emerging consumer attitudes that heighten concerns regarding vulnerability and uninformed reliance in algorithmic finance.

Nature of Consumer Disputes in AI-Based Financial Services

Consumer disputes arising from AI-enabled financial advice typically manifest in three interrelated forms. First, consumers may incur losses due to incorrect or unsuitable advice, particularly where algorithms inadequately account for individual financial circumstances or market volatility. Second, algorithmic systems may produce discriminatory outcomes, especially in credit scoring and risk assessment, where biased training data can systematically disadvantage certain consumer groups. The scale of consumer harm linked to automated and app-based lending decisions is already visible in regulatory data: between April 2021 and November 2022 alone, the Reserve Bank of India received over twelve thousand complaints against banks and non-banking financial companies relating to digital lending applications and the conduct of their recovery agents, with mis-selling, breach of data privacy and exorbitant charges identified as recurring concerns[25]. These figures suggest that algorithmic and app-mediated financial decision-making is already generating disputes at a meaningful scale, even before the more diffuse harms associated with investment and advisory algorithms are accounted for.

[25]Paromita Gupta, 'RBI's Receives Around 13,000 Complaints Against Banks and NBFCs' Entrepreneur India (13 December 2022) <https://india.entrepreneur.com/?p=24284> accessed 19 September 2026.

Third, such disputes reveal significant accountability gaps. The diffusion of responsibility among platform operators, financial institutions, software developers and data providers complicates the attribution of liability. For consumers, this fragmentation makes it difficult to identify responsible parties and pursue effective remedies, particularly within legal frameworks premised on identifiable human decision-makers.

EXISTING CONSUMER DISPUTE RESOLUTION FRAMEWORK IN INDIA

Statutory Consumer Redressal Mechanisms

The Consumer Protection Act, 2019 constitutes the primary statutory framework for consumer dispute resolution in India. It establishes a three-tier system of Consumer Commissions empowered to adjudicate disputes involving deficiency in service, unfair trade practices and misleading representations. While the Act reflects a consumer-centric ethos, it does not expressly address disputes arising from algorithmic decision-making or AI-driven services, thereby limiting its effectiveness in the context of AI-enabled financial advice. Financial institutions qualify as service providers irrespective of delivery mode.[26]

Financial Sector–Specific Redressal Forums

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In addition to consumer fora, sector-specific grievance redressal mechanisms operate within the financial regulatory ecosystem. These include the RBI's Banking Ombudsman and Ombudsman for Digital Transactions, SEBI's SCORES platform and IRDAI's insurance grievance mechanisms. While these forums offer relatively accessible and expeditious remedies, they are largely administrative in nature and lack the procedural depth and technical capacity required to meaningfully interrogate algorithmic systems. This administrative character is reflected in the design of the redressal ceiling itself: the Reserve Bank – Integrated Ombudsman Scheme, 2021 empowers the Ombudsman to award compensation for consequential loss only up to twenty lakh rupees, together with a further sum of up to one lakh rupees for harassment or mental anguish, a

[26]Sachika Vij, 'NCDRC Holds HDFC Bank Liable For Deficiency In Service' (LiveLaw, 10 August 2023) <https://livelaw.in/consumer-cases/ncdrc-holds-hdfc-bank-liable-for-deficiency-in-service-234885> accessed 19 September 2026 (reporting NCDRC's dismissal of HDFC Bank's revision petition and affirmation of liability for deficiency in service, regardless of the channel through which the service was delivered).

cap that may sit uneasily with losses arising from algorithmically mismanaged investment portfolios or credit decisions[27]. This monetary and jurisdictional limitation reinforces the argument that sector-specific ombudsman mechanisms, while accessible, are not designed to interrogate the substantive fairness of algorithmic outcomes.

Limitations of Formal Adjudicatory Processes

Formal adjudicatory mechanisms face structural limitations when addressing AI-related consumer disputes. Procedural delays, backlog and limited technical expertise constrain effective adjudication. Moreover, existing evidentiary standards and doctrines of causation are ill-suited to address probabilistic harms and opaque algorithmic processes, rendering formal mechanisms inadequate for resolving disputes involving AI-enabled financial advice. Financial entities cannot evade liability through complexity. Yet courts struggle with algorithmic evidence.[28] The severity of this institutional strain was highlighted in August 2026, when the Supreme Court expressed concern over what it termed a 'quality crisis' within consumer commissions and directed the National Consumer Disputes Redressal Commission to furnish detailed data on pendency, composition and the likely timeline for clearing its backlog[29]. Such judicial concern at the highest level corroborates the paper's contention that formal adjudicatory bodies are, at present, structurally unable to absorb the additional evidentiary and technical burden that AI-related financial disputes would impose.

ROLE OF ALTERNATIVE DISPUTE RESOLUTION IN CONSUMER JUSTICE

Conceptual Foundations of ADR in Consumer Law

[27]'7,813 Complaints against Digital Lending Apps, Recovery Agents' (Moneylife, 2024) <https://moneylife.in/article/7813-complaints-against-digital-lending-apps-recovery-agents/67796.html> accessed 19 September 2026.

[28]Canara Bank v. United India Insurance Co Ltd, 2020 INSC 140, [2020] 7 SCR 498 (a banking-insurance subrogation dispute; cited here for the general proposition that financial entities cannot evade liability through procedural or transactional complexity, not as authority on algorithmic evidence).

[29]'Consumer Justice in Limbo: Supreme Court Flags Years-long Delays and "Quality Crisis", Seeks Report from NCDRC Chief' (Moneylife, 13 August 2026) <https://www.moneylife.in/article/maharashtra-puts-draft-model-byelaws-for-housing-societies-up-for-public-comments-what-is-set-to-change/article/consumer-justice-in-limbo-supreme-court-flags-yearslong-delays-and-quality-crisis-seeks-report-from-ncdrc-chief/81343.html> accessed 19 September 2026.

Alternative Dispute Resolution (ADR) encompasses mediation, arbitration, conciliation and Online Dispute Resolution (ODR). ADR has long been promoted as a means of enhancing access to justice by offering flexible, informal and cost-effective alternatives to litigation. In consumer law, ADR is often justified on grounds of efficiency and accessibility, particularly in low-value, high-volume disputes. ADR is judicially endorsed as suitable for complex non-criminal disputes[30].

Advantages of ADR for Consumer Disputes

ADR mechanisms offer several advantages, including speedier resolution, reduced costs and the potential for consensual outcomes. These features make ADR particularly attractive for digital consumer markets, where traditional litigation may be impractical or inaccessible. Institutional encouragement of ADR to improve access to justice is recognised.[31] In theory, ADR could therefore serve as an effective mechanism for resolving disputes arising from AI-enabled financial advice.

Statutory Recognition of ADR in Consumer Protection Law

The Consumer Protection Act, 2019 formally incorporates mediation into the consumer dispute resolution framework through the establishment of mediation cells attached to Consumer Commissions. This statutory recognition reflects a broader policy shift towards ADR-centric consumer justice. However, the Act does not provide specialised procedures or safeguards for technologically complex disputes involving AI systems. Government efforts to operationalise this mediation-centric approach are visible in the ongoing digitisation of consumer forums, including the e-Jagriti e-filing platform and calls to make pre-litigation mediation compulsory to ease pendency, initiatives that improve procedural access but do not, on their own, equip mediators with the technical competence needed to assess algorithmic decision-making[32]. The distinction between procedural digitisation and substantive readiness to handle algorithmic disputes is therefore central to the reform proposals advanced later in this paper.

[30]Afcons Infrastructure, (2010) 8 SCC 24.
[31]Salem Advocate Bar Association, (2005) 6 SCC 344.
[32]'National Consumer Day and Consumer Commissions in India' (Drishti IAS, 24 December 2025) <https://www.drishtiias.com/daily-updates/daily-news-analysis/national-consumer-day-and-consumer-commissions-in-india/print_manually> accessed 19 September 2026.

CHALLENGES OF APPLYING TRADITIONAL ADR TO AI-ENABLED FINANCIAL DISPUTES

Traditional ADR mechanisms encounter significant challenges when applied to AI-enabled financial disputes. Information and power asymmetry persists, as consumers lack access to proprietary algorithms controlled by dominant financial platforms. Claims of trade secrecy further restrict disclosure, creating evidentiary barriers within ADR proceedings. This asymmetry is compounded by the standard-form nature of most digital financial contracts, a pattern well documented in the broader digital lending context, where borrower-facing applications have been found to embed extensive data-access permissions and dispute-related terms within lengthy, rarely-read terms of service, a practice that regulatory guidance on digital lending has sought to curb through mandated key-fact statements but has not eliminated[33]. Where consumers cannot meaningfully negotiate or even comprehend the terms governing recourse, their capacity to invoke ADR clauses on an informed and voluntary basis is correspondingly diminished.

The survey findings illuminate these challenges in practice. Despite high levels of trust and reliance on AI-based financial advice, respondents reported uncertainty regarding avenues for challenging algorithmic decisions or seeking remedies in cases of financial harm. This gap between reliance and redress suggests that traditional ADR processes, which depend on articulated claims and voluntary disclosures, may be ill-suited to algorithmic disputes. Power asymmetry and unfair standard-form contracts dominate fintech relationships.[34]

Further, ADR neutrals often lack the technical expertise required to assess algorithmic systems, undermining procedural fairness. Most importantly, consumer disputes are non-arbitrable and arbitration clauses cannot override consumer rights.[35] Concerns regarding enforceability and standardisation also arise in private ADR and ODR platforms operated by financial service providers, raising the risk that efficiency may be prioritised over substantive consumer justice.

[33]'Regulation of Digital Lending Apps in India' (LAEX, 2025) <https://laex.in/prelims-fact-sheet/regulation-of-digital-lending-apps/> accessed 19 September 2026.
[34]Pioneer Urban, (2019) 5 SCC 725.
[35]Emaar MGF v. Aftab Singh, (2019) 12 SCC 751.

RETHINKING ADR: TOWARDS AI-SENSITIVE CONSUMER DISPUTE RESOLUTION

To address these limitations, ADR mechanisms must be recalibrated to account for the unique characteristics of AI-enabled financial disputes. This necessitates the development of specialised AI-focused ADR frameworks capable of accommodating algorithmic complexity and correcting power asymmetries. Consumer remedies must be supplementary and strengthened, not replaced.[36]

Integrating technical experts into ADR panels can assist neutrals in evaluating algorithmic explanations, assessing claims of bias and interpreting data-driven evidence. Additionally, ADR procedures should incorporate obligations of algorithmic disclosure and explainability, supported by burden-shifting models that require financial service providers to justify adverse outcomes where consumers establish prima facie harm.

Online dispute resolution as a scalable solution

Online Dispute Resolution (ODR) offers a scalable and accessible mechanism for resolving AI-related consumer disputes. Given that AI-enabled financial services are primarily delivered through digital platforms, ODR aligns naturally with the technological context of such disputes. However, ODR must be designed with safeguards to ensure transparency, neutrality and consumer consent, lest it replicate existing power asymmetries under the guise of efficiency. India already possesses an institutional foundation on which such AI-sensitive ODR could be built. NITI Aayog's 2021 report, 'Designing the Future of Dispute Resolution: The ODR Policy Plan for India', recommends structural, behavioural and technological reforms to mainstream ODR, while home-grown platforms such as Presolv360 and Sama have begun offering technology-enabled mediation and arbitration services for consumer and commercial disputes[37]. Extending and adapting this existing ODR infrastructure, rather than building parallel institutions from scratch, may offer the most pragmatic route towards AI-sensitive dispute resolution in India.

[36]National Seeds Corporation, (2012) 2 SCC 506.

[37]Ananta Chopra, 'Revolutionizing Justice: NITI Aayog's ODR Blueprint for India' (NLIU Law Review Blog, 23 October 2024) <https://nliulawreview.nliu.ac.in/?p=7200> accessed 19 September 2026; 'Online Dispute Resolution (ODR): Meaning, Benefits, Challenges & Trends' (The Legal School) <https://thelegalschool.in/blog/online-dispute-resolution> accessed 19 September 2026.

COMPARATIVE AND INTERNATIONAL PERSPECTIVES

Comparative approaches offer valuable insights for the Indian framework. The European Union's risk-based approach to AI regulation emphasises transparency, accountability and consumer redress. Since 2024, this risk-based model has taken statutory effect: Regulation (EU) 2024/1689 entered into force on 1 August 2024, with prohibitions on unacceptable-risk systems applicable from February 2025 and the bulk of obligations for high-risk systems, a category likely to capture automated financial advisory tools, applying from August 2026[38]. The phased, sector-sensitive implementation adopted by the European Union offers a useful comparative template for calibrating any future Indian framework linking AI governance to consumer redress. Jurisdictions such as the United Kingdom and Singapore have developed structured ODR frameworks integrated with financial regulation, offering lessons on institutional design, oversight and consumer safeguards. In the United Kingdom, this is reinforced by the Financial Conduct Authority's Consumer Duty, which came into force on 31 July 2023 and requires regulated firms, including providers of automated and algorithm-assisted advice, to act in good faith, avoid foreseeable harm and enable customers to pursue their financial objectives, thereby embedding outcome-focused accountability directly into the regulatory relationship rather than leaving it to be litigated after the fact[39]. A comparable outcome-based duty, tied to accessible redress mechanisms, could usefully inform the design of India's own AI-sensitive consumer protection framework.

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These comparative models underscore the importance of embedding dispute resolution mechanisms within broader AI governance frameworks, rather than treating them as isolated procedural tools.

CONCLUSION

The increasing usage of AI-enabled financial advisory services in India marks a significant transformation in consumer finance, promising efficiency, scalability and personalised decision-

[38]'EU Artificial Intelligence Act Officially Enters into Force' (JURIST, 1 August 2024) <https://www.jurist.org/news/2024/08/eu-artificial-intelligence-act-officially-enters-into-force/> accessed 19 September 2026.

[39]'Consumer Duty' (Financial Ombudsman Service) <https://financial-ombudsman.org.uk/consumers/complaints-can-help/consumer-duty> accessed 19 September 2026.

making. However, this paper demonstrates that such technological advancement simultaneously generates novel forms of consumer vulnerability rooted in algorithmic opacity, information asymmetry and fragmented accountability.[40] Traditional adjudicatory mechanisms and existing consumer redressal forums remain structurally ill-equipped to address disputes arising from opaque, data-driven financial advice, particularly where consumers lack the technical capacity to understand or challenge algorithmic outcomes.

The empirical findings presented in Table 1 reinforce these concerns. While a substantial majority of respondents reported high levels of trust and reliance on AI-based financial advisory platforms, only a small fraction demonstrated meaningful understanding of how algorithmic decisions are made or awareness of available dispute resolution mechanisms.[41] This disconnect between reliance and redress underscores the inadequacy of current consumer protection frameworks in addressing harms arising from AI-driven financial advice. The survey further highlights strong consumer anxiety regarding accountability in cases of erroneous or harmful advice, emphasising the urgent need for accessible and effective remedial mechanisms.

In this context, Alternative Dispute Resolution emerges as a potentially valuable instrument for consumer justice, but only if it is fundamentally rethought to accommodate the realities of algorithmic decision-making. While the Consumer Protection Act, 2019 recognises mediation and encourages non-adjudicatory resolution, existing ADR structures are largely designed for conventional disputes and do not adequately address issues such as algorithmic explainability, evidentiary opacity or power asymmetries inherent in fintech platforms.[42] Without targeted reforms, ADR risks reproducing procedural efficiency at the cost of substantive fairness.

This paper argues that a technology-sensitive ADR framework incorporating technical expertise, enhanced disclosure obligations, burden-shifting models and regulatory oversight is essential to ensure meaningful consumer protection in AI-enabled financial markets. Comparative international practices demonstrate that dispute resolution mechanisms must be embedded within

[40]Frank Pasquale, The Black Box Society: The Secret Algorithms That Control Money and Information 3–5 (Harvard Univ. Press 2015); Solon Barocas & Andrew D. Selbst, Big Data's Disparate Impact, 104 Calif. L. Rev. 671, 677–80 (2016).

[41]Ryan Calo, Digital Market Manipulation, 82 Geo. Wash. L. Rev. 995, 1010–15 (2014).

[42]Consumer Protection Act, 2019, §§ 37–38, No. 35, Acts of Parliament, 2019 (India); Frank E. A. Sander, Varieties of Dispute Processing, 70 F.R.D. 111, 113–15 (1976).

broader AI governance frameworks rather than treated as isolated procedural tools.[43] For India, reimagining ADR in this manner is crucial to balancing innovation in digital finance with the constitutional and statutory commitment to consumer justice.

Ultimately, ensuring trust in AI-enabled financial advice requires not only robust ex ante regulation but also effective ex post remedies. A transparent, accountable and consumer-centric ADR framework can play a pivotal role in safeguarding consumer rights while enabling the responsible growth of AI-driven financial services in India.[44]

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