

November 21, 2005

**All Commercial Banks / NBFCs
(Excluding RRBs)**

Dear Sir,

Credit Card Operations of banks

Pursuant to the announcement made in the Annual Policy Statement 2004-05, the Reserve Bank of India had constituted a Working Group on Regulatory Mechanism for Cards. The Group has suggested various regulatory measures aimed at encouraging growth of credit cards in a safe, secure and efficient manner as well as to ensure that the rules, regulations, standards and practices of the card issuing banks are in alignment with the best customer practices. The following guidelines on credit card operations of banks have been framed based on the recommendations of the Group as also the feedback received from the members of the public, card issuing banks and others. All the credit card issuing banks / NBFCs should implement these guidelines immediately.

Each bank / NBFC must have a well documented policy and a Fair Practices Code for credit card operations. In March 2005, the IBA released a Fair Practices Code for credit card operations which could be adopted by banks / NBFCs. The bank / NBFC's Fair Practice Code should, at a minimum, incorporate the relevant guidelines contained in this circular. Banks / NBFCs should widely disseminate the contents thereof including through their websites, at the latest by **November 30, 2005**.

Guidelines for Implementation

1. Issue of cards

- a. Banks / NBFCs should independently assess the credit risk while issuing cards to persons, specially to students and others with no independent financial means. Add-on cards i.e. those that are subsidiary to the principal card, may be issued with the clear understanding that the liability will be that of the principal cardholder.
- b. As holding several credit cards enhances the total credit available to any consumer, banks / NBFCs should assess the credit limit for a credit card customer having regard to the limits enjoyed by the cardholder from other banks on the basis of self declaration/ credit information.
- c. The card issuing banks / NBFCs would be solely responsible for fulfillment of all KYC requirements, even where DSAs / DMAs or other agents solicit business on their behalf.
- d. While issuing cards, the terms and conditions for issue and usage of a credit card should be mentioned in clear and simple language (preferably in English, Hindi and the local language) comprehensible to a card user. The Most Important Terms and Conditions (MITCs) termed as standard set of conditions, as given in the **Appendix**, should be highlighted and advertised/ sent separately to the prospective customer/ customers at all the stages i.e. during marketing, at the time of application, at the acceptance stage (welcome kit) and in important subsequent communications.

2. Interest rates and other charges

a. Card issuers should ensure that there is no delay in dispatching bills and the customer has sufficient number of days (at least one fortnight) for making payment before the interest starts getting charged.

b. Card issuers should quote annualized percentage rates (APR) on card products (separately for retail purchase and for cash advance, if different). The method of calculation of APR should be given with a couple of examples for better comprehension. The APR charged and the annual fee should be shown with equal prominence. The late payment charges, including the method of calculation of such charges and the number of days, should be prominently indicated. The manner in which the outstanding unpaid amount will be included for calculation of interest should also be specifically shown with prominence in all monthly statements. Even where the minimum amount indicated to keep the card valid has been paid, it should be indicated in bold letters that the interest will be charged on the amount due after the due date of payment. These aspects may be shown in the Welcome Kit in addition to being shown in the monthly statement.

c. The bank / NBFC should not levy any charge that was not explicitly indicated to the credit card holder at the time of issue of the card and getting his / her consent. However, this would not be applicable to charges like service taxes, etc. which may subsequently be levied by the Government or any other statutory authority.

d. The terms and conditions for payment of credit card dues, including the minimum payment due, should be stipulated so as to ensure that there is no negative amortization.

e. Changes in charges (other than interest) may be made only with prospective effect giving notice of at least one month. If a credit card holder desires to surrender his credit card on account of any change in credit card charges to his disadvantage, he may be permitted to do so without the bank levying any extra charge for such closure.

3. Wrongful billing

a. The card issuing bank / NBFC should ensure that wrong bills are not raised and issued to customers. In case, a customer protests any bill, the bank / NBFC should provide explanation and, if necessary, documentary evidence to the customer within a maximum period of sixty days with a spirit to amicably redress the grievances.

b. To obviate frequent complaints of delayed billing, the credit card issuing bank / NBFC may consider providing bills and statements of accounts online, with suitable security built therefor.

4. Use of DSAs / DMAs and other agents

a. When banks / NBFCs outsource the various credit card operations, they have to be extremely careful that the appointment of such service providers do not compromise with the quality of the customer service and the bank / NBFC's ability to manage credit, liquidity and operational risks. In the choice of the service provider, the bank / NBFCs have to be guided by the need to ensure confidentiality of the customer's records, respect customer privacy, and adhere to fair practices in debt collection.

b. The Code of Conduct for Direct Sales Agents (DSAs) formulated by the Indian Banks' Association (IBA) could be used by banks / NBFCs in formulating their own codes for the purpose. The bank / NBFC should ensure that the DSAs engaged by them for marketing their credit card products scrupulously adhere to the bank / NBFC's own Code of Conduct for credit card operations which should be displayed on the bank / NBFC's website and be available easily to any credit card holder.

c. The bank / NBFC should have a system of random checks and mystery shopping to ensure that their agents have been properly briefed and trained in order to handle with care and caution their responsibilities, particularly in the aspects included in these guidelines like soliciting customers, hours for calling, privacy of customer information, conveying the correct terms and conditions of the product on offer, etc.

5. Protection of Customer Rights

Customer's rights in relation to credit card operations primarily relate to personal privacy, clarity relating to rights and obligations, preservation of customer records, maintaining confidentiality of customer information and fair practices in debt collection. The card issuing bank / NBFC would be responsible as the principal for all acts of omission or commission of their agents (DSAs / DMAs and recovery agents).

i. Right to privacy

a. Unsolicited cards should not be issued. In case, an unsolicited card is issued and activated without the consent of the recipient and the latter is billed for the same, the card issuing bank / NBFC shall not only reverse the charges forthwith, but also pay a penalty without demur to the recipient amounting to twice the value of the charges reversed.

b. Unsolicited loans or other credit facilities should not be offered to the credit card customers. In case, an unsolicited credit facility is extended without the consent of the recipient and the latter objects to the same, the credit sanctioning bank / NBFC shall not only withdraw the credit limit, but also be liable to pay such penalty as may be considered appropriate.

c. The card issuing bank / NBFC should not unilaterally upgrade credit cards and enhance credit limits. Prior consent of the borrower should invariably be taken whenever there are any change/s in terms and conditions.

d. The card issuing bank / NBFC should maintain a Do Not Call Registry (DNCR) containing the phone numbers (both cell phones and land phones) of customers as well as non-customers (non-constituents) who have informed the bank / NBFC that they do not wish to receive unsolicited calls / SMS for marketing of its credit card products. The DNCR should be set up within two (2) months from the date of this circular and wide publicity should be given to the arrangement.

e. The intimation for including an individual's telephone number in the Do Not Call Registry (DNCR) should be facilitated through a website maintained by the bank / NBFC or on the basis of a letter received from such a person addressed to the bank / NBFC.

f. The card issuing bank / NBFC should introduce a system whereby the DSAs/ DMAs as well as its Call Centers have to first submit to the bank / NBFC a list of numbers they intend to call for marketing purposes. The bank / NBFC should then refer to the Do Not Call Registry (DNCR) and only those numbers which do not figure in the Registry should be cleared for calling.

g. The numbers cleared by the card issuing bank / NBFC for calling should only be accessed. The bank / NBFC would be held responsible if a Do Not Call Number (DNCN) is called on by its DSAs / DMAs or Call Centre/s.

h. The card issuing bank / NBFC should ensure that the Do Not Call Registry (DNCR) numbers are not passed on to any unauthorised person/s or misused in any manner.

i. Banks / NBFCs/ their agents should not resort to invasion of privacy viz., persistently bothering the card holders at odd hours, violation of "do not call" code etc.

(ii) Customer confidentiality

a. The card issuing bank / NBFC should not reveal any information relating to customers obtained at the time of opening the account or issuing the credit card to any other person or organization without obtaining their specific consent, as regards the purpose/s for which the information will be used and the organizations with whom the information will be shared. Banks / NBFCs should satisfy themselves, based on specific legal advice, that the information being sought from them is not of such nature as will violate the provisions of the laws relating to secrecy in the transactions. Banks / NBFCs would be solely responsible for the correctness or otherwise of the data provided for the purpose.

b. In case of providing information relating to credit history / repayment record of the card holder to a credit information company (specifically authorized by RBI), the bank / NBFC may explicitly bring to the notice of the customer that such information is being provided in terms of the Credit Information Companies (Regulation) Act, 2005.

c. Before reporting default status of a credit card holder to the Credit Information Bureau of India Ltd. (CIBIL) or any other credit information Company authorized by RBI, banks / NBFCs may ensure that they adhere to a procedure, duly approved by their Board, including issuing of sufficient notice to such card holder about the intention to report him/ her as defaulter to the Credit Information Company. The procedure should also cover the notice period for such reporting as also the period within which such report will be withdrawn in the event the customer settles his dues after having been reported as defaulter. Banks / NBFCs should be particularly careful in the case of cards where there are pending disputes. The disclosure/ release of information, particularly about the default, should be made **only** after the dispute is settled as far as possible. In all cases, a well laid down procedure should be transparently followed. These procedures should also be transparently made known as part of MITCs.

d. The disclosure to the DSAs / recovery agents should also be limited to the extent that will enable them to discharge their duties. Personal information provided by the card holder but not required for recovery purposes should not be released by the card issuing bank / NBFC. The card issuing bank / NBFC should ensure that the DSAs / DMAs do not transfer or misuse any customer information during marketing of credit card products.

(iii) Fair Practices in debt collection

(a) In the matter of recovery of dues, banks / NBFCs may ensure that they, as also their agents, adhere to the extant instructions on Fair Practice Code for lenders (circular DBOD. Leg. No. BC. 104 /09.07.007 / 2002–03 dated May 5, 2003) as also IBA's Code for Collection of dues and repossession of security. In case banks / NBFCs have their own code for collection of dues it should, at the minimum, incorporate all the terms of IBA's Code.

(b) In particular, in regard to appointment of third party agencies for debt collection, it is essential that such agents refrain from action that could damage the integrity and reputation of the bank / NBFC and that they observe strict customer confidentiality. All letters issued by recovery agents must contain the name and address of a responsible senior officer of the card issuing bank whom the customer can contact at his location.

(c) Banks / NBFCs / their agents should not resort to intimidation or harassment of any kind, either verbal or physical, against any person in their debt collection efforts, including acts intended to humiliate publicly or intrude the privacy of the credit card holders' family members, referees and friends, making threatening and anonymous calls or making false and misleading representations.

6. Redressal of Grievances

a. Generally, a time limit of sixty (60) days may be given to the customers for preferring their complaints / grievances.

b. The card issuing bank / NBFC should constitute Grievance Redressal machinery within the bank / NBFC and give wide publicity about it through electronic and print media. The name and contact number of designated grievance redressal officer of the bank / NBFC should be mentioned on the credit card bills. The designated officer should ensure that genuine grievances of credit card subscribers are redressed promptly without involving delay.

c. The grievance redressal procedure of the bank / NBFC and the time frame fixed for responding to the complaints should be placed on the bank / NBFC's website. The name, designation, address and contact number of important executives as well as the Grievance Redressal Officer of the bank / NBFC may be displayed on the website. There should be a system of acknowledging customers' complaints for follow up, such as complaint number / docket number, even if the complaints are received on phone.

d. If a complainant does not get satisfactory response from the bank / NBFC within a maximum period of thirty (30) days from the date of his lodging the complaint, he will have the option to approach the Office of the concerned Banking Ombudsman for redressal of his grievance/s. The bank / NBFC shall be liable to compensate the complainant for the loss of his time, expenses, financial loss as well as for the harassment and mental anguish suffered by him for the fault of the bank and where the grievance has not been redressed in time.

7. Internal control and monitoring systems

With a view to ensuring that the quality of customer service is ensured on an on-going basis in banks / NBFCs, the Standing Committee on Customer Service in each bank / NBFC may review on a monthly basis the credit card operations including reports of defaulters to the CIBIL, credit card related complaints and take measures to improve the services and ensure the orderly growth in the credit card operations. Banks / NBFCs should put up detailed quarterly analysis of credit card related complaints to their Top Management. Card issuing banks should have in place a suitable monitoring mechanism to randomly check the genuineness of merchant transactions.

8. Right to impose penalty

The Reserve Bank of India reserves the right to impose any penalty on a bank / NBFC under the provisions of the Banking Regulation Act, 1949 for violation of any of these guidelines.

Yours faithfully

(P. Vijaya Bhaskar)
Chief General Manager

Appendix

1. Most Important Terms and Conditions (MITCs)

(a) Fees and Charges

- i) Joining fees for primary card holder and for add-on card holder
- ii) Annual membership fees for primary and add-on card holder
- iii) Cash advance fee
- iv) Service charges levied for certain transactions
- v) Interest free (grace) period – *illustrated with examples*
- vi) Finance charges for both revolving credit and cash advances
- vii) Overdue interest charges—to be given on monthly and annualised basis
- viii) Charges in case of default

(b) Drawal limits

- i) Credit limit
- ii) Available credit limit
- iii) Cash withdrawal limit

(c) Billing

- i) Billing statements—periodicity and mode of sending
- ii) Minimum amount payable
- iii) Method of payment
- iv) Billing disputes resolution
- v) Contact particulars of 24 hour call centres of card issuer
- vi) Grievances redressal escalation—contact particulars of officers to be contacted
- vii) Complete postal address of card issuing bank
- viii) Toll free number for customer care services

(d) Default and circumstances

- i) Procedure including notice period for reporting a card holder as defaulter
- ii) Procedure for withdrawal of default report and the period within which would be withdrawn after settlement of dues
- iii) Recovery procedure in case of default
- iv) Recovery of dues in case of death / permanent incapacitation of cardholder
- v) Available insurance cover for card holder and date of activation of policy

(e) Termination / revocation of card membership

- i) Procedure for surrender of card by card holder - due notice

(f) Loss/theft/misuse of card

- i) Procedure to be followed in case of loss/ theft/ misuse of card-mode of intimation to card issuer
- ii) Liability of card holder in case of (i) above

(g) Disclosure

- i) Type of information relating to card holder to be disclosed with and without approval of card holder

2. Disclosure of MITCs - Items to be disclosed in stages

- i) During marketing - Item no: a
- ii) At application - Item nos: *all items from a to g*
- iii) Welcome Kit - Item nos: all items from a to g

- iv) On billing - Item nos: a, b and c,
- v) On an ongoing basis, any change of the terms and conditions

Note :

- (i) **The font size of MITC should be minimum Arial-12**
- (ii) **The normal terms and conditions communicated by the card issuer to the card holder at different stages will continue as hitherto.**