

APPENDIX 4

RBI GUIDELINES

GIST OF RECOMMENDATIONS BASED ON THE FINDINGS OF THE STUDY DONE ON CREDIT CARD OPERATIONS OF BANKS

Card issuance

- The banks need to ensure prudence while issuing credit cards.
- The banks are required to inform the reason for rejection of credit card applications as per the extant RBI guidelines.
- The consent for the cards issued or the other products offered along with the card has to be explicit and should not be implied.
- Any mis-use of an unsolicited card or any other product associated with the issue of such an unsolicited card is the responsibility of the card issuing bank only and cannot be laid at the door of the customer.
- In order to reduce misuse of lost cards, banks may consider issuance of:
 - Photo-cards.
 - Cards with a PIN.
 - Signature laminated on the cards.
- The banks should explicitly state and explain to the customer the full meaning of their disclosure clause. While reporting to Credit Information Companies / CIBIL is mandatory, all the other clauses added making the customer giving consent to parting with his personal information and credit history to a host of agencies has to purely voluntary and should not have any bearing on the issue of the card.

Card Statements

- The banks should have a mechanism to ensure that customer's acknowledgement for receipt of the monthly statement is taken.
- Banks should be advised against sending statements after a gap of a few years and demanding payments and the same has to be seen as a grossly unfair act on the part of the bank. Specifying a time limit for rectifying any errors or making a claim on the cardholder need to be considered.

- The banks should step up their education efforts on the impact of paying only the 'Minimum Amount Due'. An average credit card customer is not sure of how the interest/finance charges are calculated. This should be clearly explained. The MITC should specifically explain that 'free credit period' is lost if any balance of previous month's bill is outstanding.

Charges/Interest charges

- The complaints on charges indicate that customers consider the charges to be on the higher side. While there could be an issue of customer education here, the banks are required to note that the charges on credit cards fall within the purview of RBI circular on excessive interest rates issued on May 7, 2007.
- Some of the banks indicated that the interest charges varied based on the payment/default history of the cardholder. The issue needs to be handled transparently.
- As regards the amount, the entire amount is taken into account for finance charge calculation if only partial amount is paid thereby losing the advantage of grace period given for payment.
- In issuing cards that are free for first year only, the issue needs to be handled transparently and without any hidden charges.

Cheque collection

- The due date should be independent of payment method and banks should not insist on advance payment if cheques are dropped in the drop boxes.
- The banks generally do not provide acknowledgements to the cheques dropped in the boxes. Some system of acknowledgement like time stamping needs to be in place.

DSAs/DMAs

- It is desirable that the DSAs provide to the customer only the documents/papers properly authorised by the banks. It is desirable that the banks design the modes in such a way that there are no disputes arise later between the customer and the bank. Most of the complaints of mis-selling are attributed to DSAs/DMAs.

Grievance redressal

- The banks should take efforts to properly train their call centre staff who are equipped to handle only routine complaints
- The banks should have a mechanism to escalate unresolved complaints automatically from a call centre to higher authorities if a higher level intervention is required.

CIBIL issues

- It is desirable that the banks are made to follow a uniform method of reporting to CIBIL/MasterCard International Negative List.
- The customer should have the right to obtain his credit record from a CIC/CIBIL and to correct it if the same is wrong. CIBIL should inform the reporting bank's name to an aggrieved customer and should correct its record where the reporting bank has confirmed the wrong reporting.

Recovery issues

- On the issue of collection of credit card debts, the principles enshrined in the recovery code, the Code of Banks' Commitment to Individual Customers and in the Master Circular for Credit Cards need to be scrupulously adhered to.
- Certain 'exemplary punishments' can be given so that the same can act as a deterrent from adopting illegal methods of recovery of dues.
- Banks or their recovery agents should not trouble/disturb the family members of the cardholders who have no direct relationship with the bank for any payment.
- Given the lack of transparency in the issue, it is desirable that information relating to all the recovery agencies employed by a bank are displayed publicly (in website), indicating their addresses and telephone numbers.
- All the recovery agents or agencies, and all those employed by such agencies should have their antecedents verified by police and cleared for the role. Persons with criminal background, if any, should not be enrolled.

- All calls made by the agents should only be from the registered offices of the agency, whose phone numbers are available in the bank's website. In case mobile phones are used, the name of mobile user, addresses and designation of the user in the agency should also be available in the website.
- The banks should not set stiff targets or very high incentives to promote the agents to recover the dues by any method.

Others

- The banks to register all their telemarketers with Department of Telecommunications within TRAI deadlines and scrupulously follow RBI instructions on the National Do Not Call Registry of TRAI.
- The banks may be advised to cover all the ATM sites by CCTVs so that the identity of the withdrawing person can be established.
- A request for closure of a card has to be honoured immediately by the bank.
- A lost card should be immediately blocked on being informed by the customer and formalities if any, including lodging of FIR can follow within a reasonable period.
- Banks may consider introducing a cover for the lost card liability or limiting such liability at the option of the customers.