

PRESS RELEASE

PRESS RELATIONS DIVISION, Central Office, Post Box 406, Mumbai 400001
Phone: 2266 0502 Fax: 2266 0358, 2270 3279

RESERVE BANK OF INDIA

www.rbi.org.in

www.rbi.org.in/hindi

e-mail: helpprd@rbi.org.in

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Reserve Bank releases Report on Credit Card Regulations

The Reserve Bank released the Report of the Working Group on Regulatory Mechanism for cards on its website (www.rbi.org.in). Payment of penalty to the recipient of unsolicited card in case the card got activated without the approval of the recipient, Code of conduct for direct selling agents, "Do Not Call Registry" website to be maintained by the Indian Banks' Association, sending the most important terms and conditions highlighting crucial items to the customers at all the stages and authorising the Banking Ombudsman to redress the customer grievances relating to card business were some of the major recommendations made by the Working Group.

It may be recalled that the Reserve Bank had, in October 2004, announced the setting up of a Working Group for Regulatory Mechanism for Cards. The Reserve Bank had been receiving a number of complaints regarding undesirable/objectionable practices by credit card issuing banks/institutions and their agents. The main area of regulatory concern with regard to the fast expanding plastic card usage in India related to the issue of customer services/consumer protection. Keeping in view this objective and the international scenario and practices relating to the plastic card business the Working Group was expected to suggest regulatory measures that were required to be introduced for plastic cards, while encouraging their growth in a safe, secure and efficient manner. It was also expected to recommend measures to ensure that the rules, regulations, standards and practices of the card issuers were in alignment with the best customer practices. In addition, the Working Group was required to draw a roadmap for setting up of grievances redressal mechanism for the card users.

The Group has recommended that the terms and conditions for card issuing and usage should be clear in a simple language and comprehensible to a layman. These should be prominently displayed, readable and the crucial items should be highlighted through a most important terms and conditions document. The card issuing bank would also need to clearly mention the

interest charges on annualised basis in all communications to the card holder. The Group has also recommended that the card issuing banks should introduce a comprehensive code of conduct for their direct selling agents (DSAs)/direct marketing agents (DMAs) and suitably penalise those firms which violate this code. The Group has recommended adoption of the Code formulated for the DSAs by the Indian Banks' Association.

The Group has also made further recommendations with regard to protecting the customer's right to privacy of information, including maintaining the Do Not Call Registry. The Group has recommended that the Indian Banks' Association might set up a website where customers could register their phone numbers and the Indian Banks' Association could periodically and in a confidential manner circulate the contents of the Do Not Call Registry among card issuing banks. The Group has recommended that the Banking Ombudsman could initially arbitrate any credit card dispute between card holders and card issuing banks. According to the Group, unsolicited cards should not be issued to a non-customer. In case an unsolicited card got activated without the approval of the recipient and the recipient got billed for the same, the card issuing bank would not only immediately reverse the charges but would also pay a penalty to the recipient of the card amounting to twice the value of the reversed charges.

The Working Group has also recommended that the card issuing banks should consider setting up of a self regulated body on the lines of Indian Banks' Association, Fixed Income and Money Market Dealers Association and Foreign Exchange Dealers' Association of India to deliberate on issues of common interest affecting all card issuing banks.

Alpana Killawala
Chief General Manager

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