



RESERVE BANK OF INDIA

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**RBI/ 2011-12/63
DBOD.No.FSD.BC. 14 / 24.01.011/ 2011-12**

**July 1, 2011
Ashadha 10, 1933 (Saka)**

**All Scheduled Commercial Banks /NBFCs
(excluding RRBs)**

Dear Sir

Master Circular on Credit Card Operations of banks

Please refer to the [Master Circular No. DBOD.FSD.BC.16/24.01.011/2010-11 dated July 1, 2010](#) on credit card operations of banks consolidating the instructions/guidelines issued to banks till June 30, 2010. The Master Circular has been suitably updated by incorporating instructions issued upto June 30, 2011. The Master Circular has also been put on the RBI website (<http://www.rbi.org.in>). A copy of the Master Circular is enclosed. All the credit card issuing banks/NBFCs should adhere to these guidelines strictly.

Yours faithfully

**(A. K. Khound)
Chief General Manager**

Encl: As above

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Master Circular on Credit Card Operations of banks

A . Purpose To provide a framework of rules/regulations/standards/practices to the credit card issuing banks/NBFCs for their credit card business and ensure that the same are in alignment with the best customer practices. Banks should adopt adequate safeguards and implement the following guidelines in order to ensure that their credit card operations are run on sound, prudent and customer friendly manner.

B . Classification A statutory guideline issued by the RBI.

C . Previous guidelines consolidated This Master Circular consolidates the instructions contained in the circulars listed in the Appendix.

D . Scope of Application To all Scheduled Commercial Banks (excluding RRBs) / NBFCs that engage in credit card business directly or through their subsidiaries or affiliated companies controlled by them.

Structure

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1.0 Introduction

1.1 Background

1.1.1 This circular is aimed at providing general guidance to banks/NBFCs on their credit card operations, and the systems and controls expected of them in managing their credit card business. It also sets out the best practices that they should aim to achieve.

1.1.2 Experience has shown that the quality of banks' credit card portfolios mirrors the economic environment in which they operate. Very often, there is a strong correlation between an economic downturn and deterioration in the quality of such portfolios. The deterioration may become even more serious if banks have relaxed their credit underwriting criteria and risk management standards as a result of intense competition in the market. It is therefore important for banks to maintain prudent policies and practices for managing the risks of their credit card business which are relevant to the market environment that they operate in.

1.1.3 To facilitate a better understanding of the credit card operations, the basic features of credit cards and their associated operations are highlighted in the sub-sections below.

1.2 Basic features of credit cards

1.2.1 The term "credit card" usually/generally refers to a plastic card assigned to a cardholder, usually with a credit limit, that can be used to purchase goods and services on credit or obtain cash advances.

1.2.2 Credit cards allow cardholders to pay for purchases made over a period of time, and to carry a balance from one billing cycle to the next. Credit card purchases normally become payable after a free credit period, during which no interest or finance charge is imposed. Interest is charged on the unpaid balance after the payment is due. Cardholders may pay the entire amount due and save on the interest that would otherwise be charged. Alternatively, they have the option of paying any amount, as long as it is higher than the minimum amount due, and carrying forward the balance.

1.2.3 A credit card scheme typically involves the following parties:

- Cardholders - persons who are authorized to use credit cards for the payment of goods and services;
- Card issuers - institutions which issue credit cards;
- Merchants - entities which agree to accept credit cards for payment of goods and services;

- Merchant acquirers – Banks/NBFCs which enter into agreements with merchants to process their credit card transactions; and
- Credit card associations - organisations that license card issuers to issue credit cards under their trademark, e.g. Visa and MasterCard, and provide settlement services for their members (i.e. card issuers and merchant acquirers).

1.2.4 Credit card schemes normally operate at an international level too, meaning that cardholders belonging to card issuers in one country can make purchases at the place of business of merchants in another country.

1.2.5 The focus of this circular is on the operations, risks and controls associated with credit card schemes of which banks (or their subsidiaries or affiliated companies under their control) are either the card issuer or the merchant acquirer.

1.3 Types of credit cards

1.3.1 Credit cards can be broadly categorised into two types:

General purpose cards and private label cards: The former are issued under the trademark of credit card associations (VISA and Mastercard) and accepted by many merchants while the latter are only accepted by specific retailers (e.g. a departmental store).

Banks in India can undertake credit card business either departmentally or through a subsidiary company set up for the purpose. They can also undertake domestic credit card business by entering into tie-up arrangement with one of the banks already having arrangements for issue of credit cards.

Prior approval of the Reserve Bank is not necessary for banks desirous of undertaking credit card business either independently or in tie-up arrangement with other card issuing banks. Banks can do so with the approval of their Boards. However, only banks with networth of Rs.100 crore and above should undertake credit card business. Banks desirous of setting up separate subsidiaries for undertaking credit card business would, however, require prior approval of the Reserve Bank. Banks should adopt adequate safeguards and implement the guidelines enunciated in this circular in order to ensure that their credit card operations are run on sound, prudent and customer friendly manner.

1.3.2 Most of the card issuing banks in India offer general purpose credit cards. These cards are normally categorised by banks as platinum, gold or classic to differentiate the services offered on each card and the income eligibility criteria. Banks may, at the request of a cardholder, issue a supplementary card (also referred to as 'add-on cards') to another individual who is usually an immediate family member of the cardholder.

1.3.3 It is quite common for banks to partner with business corporations or non-profit making organisations (e.g. charitable or professional bodies) to issue co-branded cards. However they need to undertake due diligence on the non-bank entity to protect themselves against the reputation risk to which they are exposed to in such an arrangement. NBFCs, which desire to enter into a co-branding arrangement for issue of credit cards with banks, may be guided by the instructions contained in circular No. DNBS (PD) CC No.83/03.10.27/2006-07 dated December 04, 2006

1.3.4 Banks may also issue corporate credit cards to the employees of their corporate customers.

1.3.5 The types of credit cards mentioned above are illustrative and not exhaustive. Banks may, from time to time, introduce new credit card products to satisfy customer needs and cater to the changes in market conditions.

1.4 Fair Practices Code

Each bank must have a well documented policy and a Fair Practices Code for credit card operations. The Banking Codes and Standards of India(BCSBI) has released a “Code of Bank’s Commitment to Customers”(Code) in July 2006 as also a Guidance Note in December 2006, which have been adopted by most of the banks with the approval of their Boards. Such of the banks which have subscribed to the BCSBI Code may incorporate the principles contained in BCSBI Code for evolving their Fair Practices Code for credit card operations, in lieu of IBA Fair Practices Code for credit card operations. The banks’ Fair Practices Code, should at a minimum, incorporate the relevant guidelines contained in this Master Circular. Banks/NBFCs should also widely disseminate the contents of this Master Circular, including through their websites.

2. Issue of cards

a. Banks/NBFCs should ensure prudence while issuing credit cards and independently assess the credit risk while issuing cards to persons, especially 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. In terms of the instructions contained in the circular DBOD.No.Leg.BC.65/09.07.005/2006-07 dated March 6, 2007, banks have been advised that in case of all categories of loans irrespective of any threshold limits, including credit card applications, banks should convey in writing the main reason/reasons which in the opinion of the bank have led to the rejection of the loan applications. It is reiterated that banks should convey in writing the main reason/reasons which have led to the rejection of the credit card applications.

c. 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.

d. 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.

e. 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 Annex, 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.

3. Interest rates and other charges

Credit card dues are in the nature of non-priority sector personal loans and as such, upto June 30, 2010, banks were free to determine the rate of interest on credit card dues without reference to their BPLR and regardless of the size in terms of the Master Circular on Interest rates on advances. However, banks have been advised vide our circular no. DBOD.No.Dir.BC.88/13.03.00/2009-10 dated April 09, 2010 that Base Rate system will replace the BPLR system with effect from July 01, 2010. All categories of loans should henceforth be priced only with reference to the Base Rate except:

- a) DRI advances
- b) Loans to bank's own employees
- c) Loans to bank's depositors against their own deposits.

Banks are advised to be guided by the instructions contained in the circular dated April 09, 2010 while determining the interest rate on Credit Card dues. Banks have also been advised vide our circular no. DBOD No.Dir.BC.93/13.03.00/2006-07 dated May 7, 2007 that they should prescribe a ceiling rate of interest, including processing and other charges, in respect of small value personal loans and loans similar in nature. The above instructions are applicable to credit card dues also. In case, banks/ NBFCs charge interest rates which vary based on the payment/ default history of the cardholder, there should be transparency in levying of such differential interest rates. In other words, the fact that higher interest rates are being charged to the cardholder on account of his payment / default history should be made known to the cardholder. For this purpose, the banks should publicise through their website and other means, the interest rates charged to various categories of customers. Banks/NBFCs should upfront indicate to the credit card holder, the methodology of calculation of finance charges with illustrative

examples, particularly in situations where a part of the amount outstanding is only paid by the customer.

Further, the banks/NBFCs have to adhere to the following guidelines relating to interest rates and other charges on credit cards:

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. In order 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. Banks/ NBFCs could also consider putting in place a mechanism to ensure that the customer's acknowledgement is obtained for receipt of the monthly statement.

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. *A legend/notice to the effect that " Making only the minimum payment every month would result in the repayment stretching over ----- years with consequent interest payment on your outstanding balance" should be prominently displayed in all the monthly statements so as to caution the customers about the pitfalls in paying only the minimum amount due.*

c. Banks/NBFCs should step up their efforts on educating the cardholders of the implications of paying only 'the minimum amount due'. The "Most Important Terms and Conditions" should specifically explain that the 'free credit period' is lost if any balance of the previous month's bill is outstanding. For this purpose, banks/ NBFCs could work out illustrative examples and include the same in the Welcome Kit sent to the cardholders as also place it on their website.

d. The banks /NBFCs should not levy any charge that was not explicitly indicated to the credit card holder at the time of issue of the card and without 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.

e. 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.

f. 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. Any request for a closure of a credit card has to be honoured immediately by the credit card issuer, subject to full settlement of dues by the cardholder.

g. There should be transparency (without any hidden charges) in issuing credit cards free of charge during the first year.

4 Wrongful billing

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.

5 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 does not compromise with the quality of the customer service and the banks'/NBFCs' ability to manage credit, liquidity and operational risks. In the choice of the service provider, the banks/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. In terms of the BCSBI's Code of Bank's Commitment to Customers, banks which have subscribed to the Code are required to prescribe a Code of Conduct for their Direct Sales Agents (DSAs) whose services are engaged by banks for marketing their products/services. Banks should ensure that the DSAs engaged by them for marketing their credit card products scrupulously adhere to the banks'/NBFCs' own Code of Conduct for Credit Card operations which should be displayed on the individual bank's/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.

6 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).

6.1 Right to privacy

a. Unsolicited cards should not be issued. In case, an unsolicited card is issued and activated without the written consent of the recipient and the latter is billed for the same, the card issuing bank 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. In addition, the person in whose name the card is issued can also approach the Banking Ombudsman who would determine the amount of compensation payable by the bank to the recipient of the unsolicited card as per the provisions of the Banking Ombudsman Scheme 2006 i.e., for loss of complainant's time, expenses incurred, harassment and mental anguish suffered by him.

c. There have been instances where unsolicited cards issued have been misused before reaching the person in whose name these have been issued. It is clarified that any loss arising out of misuse of such unsolicited cards will be the responsibility of the card issuing bank/NBFC only and the person in whose name the card has been issued cannot be held responsible for the same.

d. The consent for the cards issued or the other products offered along with the card has to be explicit and should not be implied. In other words, the written consent of the applicant would be required before issuing a credit card.

e. 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.

f. 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.

g. 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. Since the DNCR would have been already set up by the banks, they should give wide publicity to the arrangement.

h. 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.

i. 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.

j. 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.

k. 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.

l. 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.

m. The Telecom Regulatory Authority of India (TRAI) has framed the Telecom Unsolicited Commercial Communications (UCC) Regulations 2007 for curbing UCC. The Regulation envisages that all the telecom service providers would set up a mechanism to receive requests from subscribers who do not want to receive UCC and for this purpose they will maintain and operate a Private Do Not Call List. The Private Do Not Call List will include telephone numbers and other details of all such subscribers. The telephone numbers and area code from this Private Do Not Call List will be updated online by the operators to a National Do Not Call Registry (NDNC) which will be maintained by National Informatics Centre (NIC) and thus the NDNC will have the telephone numbers of all the subscribers all over India who have opted not to receive any UCC. Telemarketers will have to register in the NDNC Registry. The telemarketers would submit online the calling list to the NDNC Registry where the list will be modified/ scrubbed by excluding the numbers listed in the registry and the modified/scrubbed list will be online transferred back to the telemarketers for making calls. The Telecom Unsolicited Commercial Communications (UCC) Regulations, 2007 have been notified in the Gazette on June 6, 2007.

The Department of Telecommunications (DoT) has issued relevant guidelines for telemarketers along with the registration procedure and these guidelines have made it mandatory for telemarketers to register themselves with DoT or any other agency authorized by DoT and also specified that the telemarketers shall comply with the Guidelines and Orders/Directions issued by DoT and Orders/Directions/Regulations issued by TRAI on Unsolicited Commercial Communications (UCC). For the effective implementation of the UCC Regulations, TRAI has mandated that the telemarketers have to register themselves with the DoT, Ministry of Communication and Information Technology, Government of India failing which their telecom services may face disconnection. The Telecom Service Providers have been directed to disconnect the

telephone connections provided to the telemarketers in case of violation of the UCC Regulations by them.

Keeping in view the above aspects, banks are required to implement the following instructions:

(i) Banks should not engage Telemarketers (DSAs/DMAAs) who do not have a valid registration certificate from DoT, Govt. of India, as telemarketers.

(ii) Banks should furnish the list of Telemarketers (DSAs/DMAAs) engaged by them along with the registered telephone numbers being used by them for making telemarketing calls to IBA to enable IBA to forward the same to TRAI.

(iii) Banks should ensure that all Telemarketers (DSAs/DMAAs) presently engaged by them register themselves with DoT as telemarketers.

(iv) As per the laid down procedure, the telemarketer (DSAs/DMAAs) shall get automatically registered with NDNC Registry while they register themselves with DoT.

(v) As IBA will be the co-coordinating agency at the industry level to ensure compliance with the requirements of TRAI regulations, banks are advised to actively cooperate with IBA in this regard.

Further, in addition to DSAs/DMAAs, banks/their Call Centres, who make solicitation calls, are also required to be registered as Telemarketers with DoT and banks/their Call Centres, while registering themselves as Telemarketers, will be required to give the details of the telephone numbers used by them for telemarketing.

(vi) Hon'ble Supreme Court has recently directed that any telemarketer who is not registered with Department of Telecommunication (DoT) should not be permitted to operate the telemarketing services and as such any employment of telemarketer who is not registered with DoT by banks would be treated as a violation of Hon'ble Supreme Court's direction.

6.2 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. Instances have come to light where banks, as part of the MITCs, obtain the consent of the customer for sharing the information furnished by him while applying for the credit card, with other agencies. Banks should give the customer the option to decide as to whether he is agreeable for the bank sharing with other agencies the information furnished by him at the time of applying for credit card. The application form for credit card may be suitably modified to explicitly and clearly provide for the same. Further, in case where the customers gives his consent for the bank

sharing the information with other agencies, banks should explicitly state and explain clearly to the customer the full meaning/ implications of the disclosure clause. 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 should 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 /NBFCs should ensure that the DSAs / DMAs do not transfer or misuse any customer information during marketing of credit card products.

6.3 Fair Practices in debt collection

(a) In the matter of recovery of dues, banks should 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 BCSBI's Code of Bank's Commitment to Customers(those banks which have subscribed to the BCSBI Code). In case banks have their own code for collection of dues, they should, at the minimum, incorporate all the terms of BCSBI's Code referred above.

(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.

(d) The banks should also ensure to comply with the guidelines in respect of engagement of recovery agents (circular No. DBOD. No. Leg. BC.75 /09.07.005/2007-08 dated April 24, 2008) issued by RBI. These guidelines inter-alia cover aspects relating to i) engagement of Recovery Agents including verification of antecedents of their employees by agents, (ii) incentives to recovery agents – banks to ensure that contracts with the recovery agents do not induce adoption of uncivilized, unlawful and questionable behaviour or recovery process, (iii) methods followed by recovery agents, (iv) training to recovery agents , (v) taking possession of property mortgaged /hypothecated to banks, (vi) use of forum of Lok Adalats, (vii) complaints against the bank/recovery agents and (viii) periodical review of the recovery agents' mechanism.

6.4 Insurance cover to cardholders

In cases where the banks are offering any insurance cover to their credit card holders, in tie-up with insurance companies, the banks may consider obtaining in writing from the credit card holders the details of nominee/s for the insurance cover in respect of accidental death and disablement benefits. Banks may ensure that the relevant nomination details are recorded by the Insurance Company. Banks may also consider issuing a letter to the credit card holder indicating the details regarding the name, address and telephone number of the Insurance Company which will handle the claims relating to the insurance cover.

7 Redressal of Grievances

a. Generally, a time limit of 60 (sixty) 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. Banks/NBFCs should ensure that their call centre staff are trained adequately to competently handle all customer complaints.

d. Banks/NBFCs should also have a mechanism to escalate automatically unresolved complaints from a call center to higher authorities and the details of such mechanism should be put in public domain through their website.

e The grievance redressal procedure of the bank/NBFC and the time frame fixed for responding to the complaints should be placed on the bank'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.

f. If a complainant does not get satisfactory response from the bank/NBFC which is a subsidiary of a bank 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 which is a subsidiary of a bank 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.

8. 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 should 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 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.

9. Fraud Control

9.1 Banks/NBFCs should set up internal control systems to combat frauds and actively participate in fraud prevention committees/ task forces which formulate laws to prevent frauds and take proactive fraud control and enforcement measures.

9.2 With a view to reducing the instances of misuse of lost/stolen cards, it is recommended to banks/NBFCs that they may consider issuing (i) cards with photographs of the cardholder (ii) cards with PIN and (iii) signature laminated cards or any other advanced methods that may evolve from time to time.

9.3 In terms of instructions contained in the circular RBI/DPSS.No.1501/02.14.003/2008-09 dated February 18, 2009 issued by Department of Payment and Settlement Systems, Reserve Bank of India on security issues and risk mitigation measures relating to online card transactions using Credit/Debit cards, banks were advised to put in place with effect from August 01, 2009.

- i. A system of providing for additional authentication/ validation based on information not visible on the cards for all on-line card not present transactions except IVR transactions.
Banks were advised vide circular number RBI/DPSS No.2303/02.14.003/2009-2010 dated April 23, 2010 that the requirement of additional authentication/ validation to all card not present transactions was extended to IVR transactions also with effect from January 01, 2011. In terms of circular DPSS.CO.No. 1503/02.14.003/2010-11 dated December 31, 2010 banks were permitted to run a parallel run of the new arrangement for a period of one month upto January 31, 2011. However, after January 31, 2011 no IVR transaction shall be permitted unless such transactions comply with the additional factor authentication requirement.
- ii. A system of "Online Alerts" to the cardholder for all 'card not present' transactions of the value of Rs.5,000/- and above.
In terms of circular no. DPSS.CO.PD.2224/02.14.003/2010-11 dated March 29, 2011 banks have been advised to take steps to put in place a system of online alerts for all types of transactions irrespective of the amount, involving usage of cards at various channels. The measures were to be implemented latest by June 30, 2011.

9.4 Banks are advised to block a lost card immediately on being informed by the customer and formalities, if any, including lodging of FIR can follow within a reasonable period.

9.5 Banks may consider introducing, at the option of the customers, an insurance cover to take care of the liabilities arising out of lost cards. In other words, only those cardholders who are ready to bear the cost of the premium should be provided an appropriate insurance cover in respect of lost cards.

10 Right to impose penalty

Reserve Bank of India reserves the right to impose any penalty on a bank/NBFC under the provisions of the Banking Regulation Act, 1949/the Reserve Bank of India Act, 1934, respectively for violation of any of these guidelines.

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 & 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 centers 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 the default report 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.

APPENDIX

List of Circulars consolidated by the Master Circular

No	Circular No.	Date	Subject
1.	RBI/2010-11/449 DPSS.CO.PD.2224/02.14.003/2010-11	March 29, 2011	Security Issues and Risk Mitigation Measures - Online Alerts to the Cardholder for Usage of Credit / Debit Cards.
2.	RBI/2010-11/347 DPSS.CO.No.1503/02.14.003/2010-11	December 31, 2010	Security Issues and Risk Mitigation Measures related to Card Not Present Transactions
3.	RBI/2010-11/109 DBOD.FSD.BC.No.25/24.01.011/2010-11	July 9, 2010	Credit Card Operations of Banks
4.	RBI / 2010-11/61 DBOD.FSD.BC.16/ 24.01.011/ 2010-11	July 01, 2010	Master Circular on Credit Card Operations of banks
5.	RBI/2008-09/177 DBOD.No.FSD.BC.45/24.01 .011/2008-09	September 17, 2008	Unsolicited Commercial Communications - National Do Not Call (NDNC) Registry
6.	RBI/2008-2009/1 00 DBOD.FSD.BC.23/24.01 .011/2008-09	July 23, 2008	Credit Card Operations of Banks
7.	RBI/2007-2008/296 DBOD.No.Leg.BC.75/09.07.005/2007-08	April 24, 2008	Recovery Agents engaged by banks
8.	RBI/2007 -2008/163 DBOD.FSD.BC.35/24.01 .011/2007-08	October 19, 2007	Unsolicited Commercial Communications – National Do Not Call Registry
9.	RBI/2007-2008/78 DBOD.FSD.BC.19/24.01 .011/ 2007-08	July 3, 2007	Unsolicited Commercial Communications – National Do Not Call Registry
10.	RBI/2006-07/377 DBOD.No.Dir.BC.93/13.03.00/2006-07	May 7, 2007	Complaints about excessive interest charged by banks

11.	RBI/2006-2007/280 DBOD. No. Leg. BC.65/09.07.005/2006-07	March 06, 2007	Guidelines on Fair Practices Code for Lenders
12.	RBI 2005-06/ 211 DBOD. FSD. BC. No. 49/ 24.01.011/ 2005-06	November 21, 2005	Credit Card Operations by banks
13.	DBOD.Leg.BC.104/09.07.007/2002-03	May 5, 2003	Guidelines on Fair Practice Codes for Lenders
14	DBOD.No.FSC.BC.120/24.01.011/2000-01	May 12, 2001	Credit Card Business of banks