



RESERVE BANK OF INDIA

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DBOD. FSD.BC.No. 25 /24.01.011/2010-11

July 9, 2010

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

Dear Sir/Madam

Credit Card Operations of Banks

As banks are aware, Reserve Bank of India has issued comprehensive guidelines on credit card operations of banks, from time to time. These guidelines are also compiled in the form of a Master Circular issued every year, the last being the [circular DBOD.No.FSD.BC.16/24.01.011/ 2010-11](#) dated July 1, 2010. The guidelines on credit card operations cover various aspects such as issue of credit cards, interest rates and other charges, wrongful billing, use of Direct Sales Agents (DSAs)/Direct Marketing Agents (DMAs) and other agents, protection of customer rights covering among other things right to privacy, customer confidentiality and fair practices in debt collection, redressal of customer grievances, internal control and monitoring systems, fraud control etc. Banks have been advised as part of the said guidelines that Reserve Bank of India reserves the right to impose 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.

2. 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 have also been advised that they should indicate to the credit card holder upfront, the methodology of calculation of finance charges with illustrative examples, particularly in situations where only a part of the amount outstanding is paid by the customer.

3. Despite the issue of comprehensive instructions as above to banks, it is observed that Reserve Bank of India and the Offices of the Banking Ombudsmen, continue to receive numerous complaints from credit card holders regarding the credit card operations of the banks, especially with regard to excessive finance charges, issuance of unsolicited credit cards, unsolicited insurance policies and recovery of premium charges, charging of annual fee in spite of being offered as 'free' cards, issuance of loans over phone, disputes over wrong billing, settlement offers conveyed telephonically, non-settlement of insurance claims after the demise of the card holder, offensive calls, difficulty in accessing the credit card issuers and the poor response from the call centres etc.

4. All banks are, therefore, once again advised to strictly adhere to the guidelines contained in the Master Circular on Credit Card Operations, both in letter and spirit, failing which Reserve Bank of India shall be constrained to initiate suitable penal action, including levy of monetary penalties, under the relevant statutory provisions.

Yours faithfully,

(A.K. Khound)
Chief General Manager