

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:2727

ANSWERED ON:31.08.2007

VIOLATION OF GUIDELINES BY CREDIT CARD COMPANIES

Adsul Shri Anandrao Vithoba

**Will the Minister of FINANCE be pleased to state:**

- (a) whether it is mandatory that credit card companies calculate the paying capacity of cardholders and follow 'know-your-customer' norms;
- (b) whether despite RBI's guidelines credit card companies are unwilling to disclose information like interest rates clearly;
- (c) if so, the number of cases came to the notice of the Union Government in this regard; and
- (d) the steps taken by the Union Government against those banks who did not disclose information like interest rates clearly?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PA WAN KUMAR BANSAL)

(a) Yes, Sir. Reserve Bank of India has issued a Master Circular on Credit Card operations by banks / NBFCs on 2nd July, 2007 which, inter-alia, provides that bank should independently assess the credit risk while issuing cards to persons, especially to students and others with no independent financial means. The guidelines also provide that the card issuing bank / NBFC would be solely responsible for fulfillment of the Know Your Customer (KYC) requirements, even where Direct Selling Agents (DSAs) / Direct Marketing Agents (DMAs) or other agents solicit business on their behalf.

(b) to (d): The existing Management Information System of the Government does not generate the desired data. However, in order to ensure transparency in banking services, RBI has issued instructions to banks on 16th May, 2006, to display and update the details of various service charges in the prescribed format on their websites and in their offices / branches. While fixing the service charges, the banks are expected to ensure that the charges are reasonable, consistent with the cost of providing the services and that the customers with low value / volume of transactions are not penalized. Further, vide its instructions dated 20 July, 2006, RBI has advised the banks that the service charges and fees may be placed on the home page of their websites at a prominent place under the title of 'Service Charges and fees' so as to facilitate easy access to the bank customers. The banks are also required to provide a complaint form alongwith the name of the nodal officer for redressal of the complaint, on the homepage itself to facilitate complaint submission by the customers. RBI has advised the banks that the annualized percentage rate (APR), the method of calculation of APR, late payment charges including the method of calculation, the manner in which the outstanding unpaid amount is to be included for calculation of interest, etc. on credit card dues should be indicated by card issuing banks in the 'Welcome Kit' and monthly statement. Banks have also been advised to be transparent in fixing their interest rate / service charge on credit card dues and include the above in the Most Important Terms and Conditions (MITCs). Further, credit card scenario is being constantly monitored and instructions to banks on their credit card operations are issued by the RBI, on an ongoing basis. The Banking Ombudsman Scheme, 2006 has been notified w.e.f. 1st January, 2006 enlarging the scope of the scheme to cover customer complaints in areas such as levying service charges without prior notice to the customer, non-adherence to the Fair Practices Code as adopted by the banks, credit card complaints, deficiency in providing the services assured by the banks through their agents, etc.