

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:134

ANSWERED ON:05.03.2010

CREDIT CARD PAYMENTS

Gaikwad Shri Eknath Mahadeo; Sinha Shri Yashwant

Will the Minister of FINANCE be pleased to state:

- (a) whether some public/ private sector banks including the State Bank of India (SBI) and the Industrial Credit and Investment Corporation of India (ICICI) are charging heavy penalties in addition to the high interest rate on the credit card default payments;
- (b) if so, the details thereof and the reasons therefor;
- (c) whether the Reserve Bank of India (RBI) has formulated any mandatory policy guidelines in this regard for all the banks to follow;
- (d) if so, the details thereof; and
- (e) the action taken against banks violating these guidelines?

Answer

FINANCE MINISTER(SHRI PRANAB MUKHERJEE)

(a) to (e): A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PART (A) TO (E) OF LOK SABHA STARRED QUESTION NO.134 FOR 05-03-2010 TABLED BY SHRI YASKWANT SINHA AND SHRI EKNATH M. GAEKWAD REGARDING CREDIT CARD PAYMENTS

(a) and (b):- The data regarding complaints in respect of charging heavy penalties in addition to high interest rates on credit card payments is not generated separately. However, Reserve Bank of India (RBI) has reported that complaints have been received from customers by 15 Banking Ombudsman (BO) Offices in respect of non adherence by banks or its subsidiaries to the instructions of Reserve Bank on ATM/Debit Card operations or credit card operations. The complaints received under this category for the last three years are as follows:

Sl. No.	Year	Total no. of complaints received service in credit/debit/ATM card operations)	No. of complaints (deficiencies in debit/ATM Card related complaints at BO Offices including brought forward complaints of previous year)	Disposal rate of credit/
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1	2006-07	38638	7688	97.6%
2	2007-08	47887	10129	102%
3	2008-09	69117	17648	95.6%

(c), (d) and (e): To streamline the credit card operations, RBI has issued a Master circular on 01-07-2008. Subsequently, based on the report of the study group appointed by RBI on the credit card operations of banks, another circular was issued on 23-07-2008. Both these circulars cover areas like issue of cards, interest rates and other charges, use of Direct Selling Agents/ Direct Marketing Agents and other agents, wrongful billings, protection of customer rights, redressal of grievances, fraud control, right to impose penalties, etc. This circular was revised recently and an updated master circular was issued on 01-07-2009. The circular, inter-alia, provides that: 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. For this purpose, the banks should publicise through their website and other means, the interest rates charged to various categories of customers and the methodology of calculation of finance charges with illustrative examples. Further, the banks / NBFCs have to adhere to the following guidelines relating to interest rates and other charges on credit cards:

i) 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.

ii) 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.

iii) 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.

RBI has reported that it has not taken any action against any bank. However, RBI reserves the right to impose any penalty on a bank under the provisions of Banking regulation Act, 1949 for violation of any of these guidelines. Further during the course of Annual Financial Inspection of banks/NBFCs, RBI looks into aspects like implementation of various guidelines. Customer Service Department of RBI also takes up the matter with banks based on various complaints received by them with a view to redress the same. Under the Banking Ombudsman Scheme 2006, Banking Ombudsmen are empowered to award compensation not exceeding Rs. 1 lakh in case of complaints arising out of credit cards operations in addition to the actual pecuniary losses suffered in transactions.