

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:5256
ANSWERED ON:27.08.2010
SAFETY MEASURES FOR CREDIT CARDS
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Will the Minister of FINANCE be pleased to state:

- (a) whether any Working group has suggested regulatory measures to encourage growth of Credit Card in a safe, secure and efficient manner;
- (b) if so, the details of the recommendations of the said working group;
- (c) whether the Government has any proposal to set up regulatory authority to regulate the inflow of credit cards and to protect the interests of customers; and
- (d) if so, the details thereof?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) and (b): Reserve Bank of India (RBI) has reported that the Working Group on regulatory mechanism for cards has suggested regulatory measures to encourage growth of Credit Card in a safe, secure and efficient manner. The recommendations of the Working Group are related to transparency and disclosure, customer rights` protection and code of conduct.

As regards, the issues related to `transparency and disclosure` the Working Group has inter-alia recommended that the terms and conditions related to issue of cards should be in simple language, the card issuing banks shall make a separate communication of most important terms and conditions, should mention interest charges on annual basis, direct selling agents and direct marketing agents work should be entrusted to well known firms on whom due diligence had been carried out.

As regards `customer rights` protection`, the Working Group has inter-alia recommended that customer specific information can be released by the card issuing bank only in compliance with court order or statutory compliance or the credit bureau in case of default, Banking Ombudsman should arbitrate between card issuing banks and card holders, etc.

As regards `code of conduct`, the Working Group has recommended that the card issuing banks should setup a self regulatory body to deliberate on important issues and conform to code of conduct of the Indian Banks` Association.

(c) and (d): No such proposal is under consideration of the Government. However, in order to streamline credit card operations RBI has issued a comprehensive Master Circular dated 23-07-2008 covering areas like issue of cards, interest rates and other charges, use of direct selling agents/ direct marketing agents and other agents, wrongful billing, protection of customer rights, redressal of grievances, fraud control, right to impose penalties, etc. The circular was revised recently and an updated Master Circular was issued on 01-07-2010.

Further, during the course of annual financial inspection of banks/ NBFCs, RBI looks into aspects like implementation of various guidelines. Under the Banking Ombudsman Scheme 2006, Banking Ombudsman are empowered to award compensation not exceeding Rs. 1 lakh in case of complaints arising out of credit card operations in addition to the actual pecuniary losses suffered in transactions.