

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:74
ANSWERED ON:12.11.2010
COMPLAINTS AGAINST CREDIT CARD PLAYERS
Rajukhedi Shri Gajendra Singh

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has taken note of/received complaints against credit card players for deficient services and unfair practices like undue penal charges etc.;
- (b) if so, the details thereof for the last three years and the current year along with the amount involved therein; and
- (c) the remedial measure taken/being taken by the Government in this regard ?

Answer

FINANCE MINISTER (SHRI PRANAB MUKHERJEE)

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

STATEMENT REFERRED TO IN REPLY TO PART (A) TO (C) OF LOK SABHA STARRED QUESTION NO. 74 FOR 12TH NOVEMBER, 2010, TABLED BY SHRI GAJENDER SINGH RAJUKHEDI REGARDING COMPLAINTS AGAINST CREDIT CARD PLAYERS

(a) to (c):- Reserve Bank of India (RBI) has reported that complaints have been received from customers regarding interest being charged by Credit Card issuer and on issues like late payment charges, penal charges, issue of unsolicited cards, harassing telephone calls, etc.

As per the complaints filed with the Banking Ombudsman (BO) Offices the details are as follows:

Sl.No. Year No. of complaints Disposal rate of credit/debit/ATM
(deficiencies in service Card related complaints at BO
in credit/ debit/ATM Offices (Including brought forward
card operations) complaints of previous year)

1 2007-08 10,129 102%

2 2008-09 17,648 95.6%

3. 2009-10 18,810 94%

4. From 1.7.2010- 4,823 Not Available
31.10.2010

The data in respect of amount involved in such complaints is not generated separately.

RBI has issued various guidelines from time to time on credit card operations to banks/NBFCs. These guidelines are annually updated in the form of Master circular. The last such circular was issued on July 1, 2010. These guidelines are comprehensive and cover different aspects of credit card operations 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. Besides vide circular July 9, 2010 banks have been advised to strictly adhere to the guidelines contained in the Master Circular on Credit Card Operations both in letter and spirit, failing which RBI shall be constrained to initiate suitable penal action, including levy of monetary penalties under the statutory provisions. The Master Circular, inter-alia, provides that:

l) Card issuer 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. Banks/NBFCs could consider putting in place the mechanism to ensure that customer acknowledgement is obtained for receipt of the monthly statement.

II) The card issuer should quote Annualised 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 should be prominently indicated. The manner in which the outstanding and paid amount will be included for calculation of interest should also be specifically shown with prominence in all monthly statements. Even where the minimum due amount has been paid to keep the card valid, it should be indicated in the bold letters that the interest will be charged on the amount due after the due date of payment.

III) 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.

IV) 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.

V) 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.

VI) Changes in charges (other than interest) may be made only with prospective effect giving notice of atleast 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.

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.