

How credit cardholders will benefit from new RBI rules

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- New RBI rules: These directions will be effective from July 1, 2022

The Reserve Bank of India (RBI) has asked card companies not to issue unsolicited credit cards or upgrade an existing card without the explicit consent of the customer. In its master directions on credit card and debit card issuance, the RBI said "the issue of unsolicited cards/upgradation is strictly prohibited". These directions will be effective from July 1, 2022.

How credit cardholders will benefit from new RBI rules explained in 10 points here.

1) Card-issuers shall provide a one-page Key Fact Statement along with the credit card application containing the important aspects of the card such as rate of interest, quantum of charges, among others. In case of rejection of a credit card application, the card-issuer shall convey in writing the specific reason/s which led to the rejection of the application.

2) Card-issuers may consider introducing, at the option of the customers, an insurance cover to take care of the liabilities arising out of lost cards, card frauds, etc. In cases where the card-issuers are offering any insurance cover to their cardholders, in tie-up with insurance companies, the card-issuers shall obtain explicit consent in writing or in digital mode from the cardholders along with the details of nominee/s.

3) The issue of unsolicited cards/upgradation is strictly prohibited. In case, an unsolicited card is issued/existing card upgraded and activated without the explicit consent of the recipient and the latter is billed for the same, the card-issuer shall not only reverse the charges forthwith, but also pay a penalty without demur to the recipient amounting to twice the value of the charges reversed. In addition, the person in whose name the card is issued can also approach the RBI Ombudsman who would determine the amount of compensation payable by the card-issuer to the recipient of the unsolicited card as per the provisions of the Ombudsman Scheme, i.e., for loss of complainant's time, expenses incurred, harassment and mental anguish suffered by him/her.

4) There have been instances where unsolicited/applied-for cards have been misused before reaching the persons in whose names these have been issued. It is emphasised that any loss arising out of misuse of such unsolicited cards shall be the responsibility of the card-issuer only and the person in whose name the card has been issued shall not be held responsible for the same.

5) Card-issuers shall seek One Time Password (OTP) based consent from the cardholder for activating a credit card, if the same has not been activated by the customer for more than 30 days from the date of issuance. If no consent is received for activating the card, card-issuers shall close the credit card account without any cost to the customer within seven working days from date of seeking confirmation from the customer. In case of a renewed or replaced card, the closure of an inactivated card shall be subject to payment of all dues by the cardholder.

Making Corporate India Comply

6) No card-issuer shall report any credit information relating to a new credit card account to Credit Information Companies prior to activation of the card. Any credit information relating to such inactivated credit cards already reported to Credit Information Companies shall be withdrawn immediately; under no circumstances it shall take more than 30 days from the effective date of these directions.

7) The consent for the cards issued or the other products/services offered along with the card shall be explicit and shall not be implied. In other words, the written consent of the applicant shall be required before issuing a credit card. Alternatively, card-issuers may use other digital modes with multifactor authentication to obtain explicit customer consent. Such alternative digital modes, if any used by the card-issuer, shall be communicated to the Department of Regulation, Reserve Bank of India.

8) Card-issuers shall ensure that the telemarketers they engage, comply with directions/regulations on the subject issued by the Telecom Regulatory Authority of India (TRAI) from time to time while adhering to guidelines issued on "Unsolicited Commercial Communications – National Customer Preference Register (NCPR)". The card-issuer's representatives shall contact the customers only between 10:00 hrs and 19:00 hrs.

9) Card-issuers shall ensure complete transparency in the conversion of credit card transactions to Equated Monthly Instalments (EMIs) by clearly indicating the principal, interest and upfront discount provided by the merchant/card-issuer (to make it no cost), prior to the conversion. The same shall also be separately indicated in the credit card bill/statement. EMI conversion with interest component shall not be camouflaged as zero-interest/no-cost EMI.

10) Card-issuers shall ensure that the credit limit as sanctioned and advised to the cardholder is not breached at any point in time without seeking explicit consent from the cardholder.