

# Credit, Debit Card Rules to Change from July 1-10 things to know

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Earlier in June, RBI extended the deadline for some provisions in the master direction to take effect starting October and not from July 1st. Hence, it is important to understand what new changes will come into force starting in July on your credit cards and debit cards.

Rules for credit, debit and co-branded cards are set to change from July 1. In April this year, the Reserve Bank of India (RBI) issued a host of fresh guidelines including issuance, insurance, interest, and charges among others on these cards issued by banks and other financial institutions. The directions will bring in seamless usage of the cards and help customers during loss, theft, and fraud as well.

However, later this month, RBI extended the deadline for some provisions in the master direction to take effect starting October and not from July 1st. Hence, it is important to understand what new changes will come into force starting in July on your credit cards and debit cards.

## 1. Issue of credit cards:

During the rejection of credit cards, card issuers are required to convey in writing the specific reasons which led to the rejection of the application.

Further, card issuers are required to offer the option of insurance cover to customers on their credit cards that would take care of the liabilities arising from lost cards, card frauds, etc.

RBI strictly prohibits the issuance of unsolicited cards/up-gradation of credit cards. For instance, if an unsolicited card is issued/existing card upgraded and activated without the explicit consent of the customer and the latter is billed for the same, thereby, the card issuer will not only have to reverse the charges forthwith but also pay a penalty without demur to the recipient amounting to twice the value of the charges reversed.

Thereby, in case, if you are issued unsolicited credit cards or they are upgraded without your consent, you can always file a complaint about the same, and issuers are liable to pay the charges back along with penalties. Also, you can approach the RBI Ombudsman who would determine the amount of compensation payable by the card issuer to the recipient. The Ombudsman Scheme will help you in getting compensation for loss of the complainant's time, expenses incurred, harassment, and mental anguish suffered by him/her.

Further, any loss arising out of misuse of unsolicited credit cards, for instance, if the card has been misused before it could reach you, then the card issuer will be responsible for the misuse and the customer will not be responsible for the same.

Reporting of credit information to a new credit card account to the Credit Information Companies before activation of the card - is not allowed.

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Also, the consent for the cards issued or the other products/services offered along with the card shall be explicit and shall not be implied. Thereby, card issuers are needed to take written consent from the applicant before issuing the card.

Decision-making power for issuing a credit card to a customer will only be with the card-issuer and the role of the Direct Sales Agent (DSA)/Direct Marketing Agent (DMA)/other agents will be limited.

Since holding several credit cards can enhance the total credit available to any customer, card issuers are directed to assess the credit limit for a credit card customer taking into consideration all the limits enjoyed by the cardholder from other entities based on self-declaration/credit information obtained from a Credit Information Company, as appropriate.

Also, card issuers need to ensure complete transparency in the conversion of credit card transactions to EMIs by clearly indicating the principal, interest, and upfront discount provided by the merchant/card-issuer (to make it no cost), before the conversion. Further, the same information shall be indicated in the credit card bill or statement.

Notably, EMI conversion with an interest component shall not be camouflaged as zero-interest/no-cost EMI.

### **2. Issue of debit cards:**

Banks are directed to formulate a comprehensive debit card issuance policy with the approval of their Boards and issue debit cards to their customers following this policy. RBI approval is not necessary for banks desirous of issuing debit cards to their customers.

Debit cards can only be issued to customers who have savings bank and current accounts.

Banks are not allowed to issue debit cards to cash credit/loan account holders. However, it will not preclude the banks from linking the overdraft facility provided along with Pradhan Mantri Jan Dhan Yojana accounts with a debit card.

Also, a bank can not force a customer to avail debit card facility and they are further not allowed to link issuance of a debit card to avail of any other facility from the bank.

### **3. Closure of Credit Card:**

You can close your credit card account through multiple channels such as the helpline, dedicated e-mail-id, Interactive Voice Response (IVR), prominently visible links on the website, internet banking, mobile app, or any other mode.

Card issuers are not allowed to insist on sending a closure request through post or any other means as they would be time-consuming.

In case, if a card issuer fails to complete the closure of the credit card account within seven working days, then they will have to pay a penalty of ₹500 per day of the delay to the customer till the closure of the account provided there is no outstanding in the account.

In case, a credit card has not been used for more than a year, then card issuers will begin the process of closing the card after intimating the customer. If the cardholder does not reply within 30 days, then the card account will be closed by the issuer subject to payment of all dues by the cardholder.

Upon closing the credit card account, any credit balance available in the credit card account will be transferred to the cardholder's bank account.

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### **4. Interest rates and other charges on credit cards:**

Issuers need to indicate upfront to the credit cardholder, the methodology of calculation of finance charges with illustrative examples, particularly in situations where only a part of the amount outstanding is paid by the customer.

Card-issuers shall quote Annualized Percentage Rates (APR) on credit cards for different situations such as retail purchases, balance transfer, cash advances, non-payment of the minimum amount due, late payment, etc., if different.

There shall not be any hidden charges while issuing credit cards free of charge.

Changes in charges shall be made only with prospective effect giving prior notice of at least one month. If a cardholder desires to surrender his/her card on account of any change in charges to his/her disadvantage, he/she shall be permitted to do so without levying any extra charge for such closure, subject to payment of all dues by the cardholder.

### **5. Billing on credit cards:**

Issuers need to ensure there is no delay in sending credit card billing statements to the customers and also that there is a sufficient number of days (at least one fortnight) for the cardholder in making the payment before interest gets charged.

To eliminate the delayed billing complaints, card issuers are directed to send bills or statements to accounts through internet/mobile banking with the explicit consent of the cardholder.

It needs to be ensured that wrong bills are not raised and issued to cardholders. If there is a complaint, then the issuer will have to give an explanation, wherever applicable, with documentary evidence to the cardholder within a maximum period of 30 days from the date of complaint.

No charges will be imposed on transactions that are disputed as 'fraud' by the cardholder under it is resolved.

To provide flexibility in this regard, cardholders shall be provided a one-time option to modify the billing cycle of the credit card as per their convenience.

Any amount arising from refund/failed/reversed transactions or similar transactions before the due date of payment for which payment has not been made by the cardholder, then it shall be immediately adjusted against the 'payment due' and notified to the cardholder.

Issuers shall seek the explicit consent of the cardholder to adjust credit amount beyond a cut-off, one percent of the credit limit or ₹5,000, whichever is lower, arising out of refund/failed/reversed transactions or similar transactions against the credit limit for which payment has already been made by the customer. Consent is required to be obtained by the issuer within seven days of the credit transaction via e-mail or SMS.

Also, in case of refund/failed/reversed transactions, the card issuer shall reverse the credit transaction to the cardholder's bank account, if no consent is received from the cardholder. Notwithstanding the cut-off, if a cardholder makes a request to the card issuer for reversal of the credit amount outstanding in the card account into his or her bank account, the card issuer shall do it within three working days from the receipt of such request.

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### 6. Issue of unsolicited facilities on credit cards:

Unsolicited loans or other credit facilities shall not be offered to the credit cardholders without seeking explicit consent. If the unsolicited credit facility is extended without written consent then the card issuer will not only withdraw the facility but also be liable to pay a penalty.

Also, card issues shall not unilaterally upgrade credit cards and enhance credit limits. Explicit consent is needed from the cardholder for the same. In case of a reduction in the credit limit, the card-issuer shall intimate the same to the cardholder.

### 7. Defaulting status of credit cardholders:

Before reporting the default status of a credit cardholder to the Credit Information Company, the card issuers need to ensure that they adhere to a procedure, duly approved by their Board, including issuing a seven-day notice period to such cardholder about the intention to report him or her as a defaulter.

If the customer settles his or her dues after having been reported as a defaulter, the card issuer shall update the status within 30 days from the date of settlement. Also, the issuer shall be particularly careful in the case of cards where there are pending disputes.

### 8: Customer conduct for credit cards:

Card-issuer shall ensure that the DSAs/DMA/recovery agents do not transfer or misuse any customer information during the marketing of credit card products.

Further, when card issuers outsource various credit card-related operations, they should ensure that the appointment of such service providers does not compromise the quality of the customer service and the card issuers' ability to manage credit, liquidity, and operational risks.

Card-issuers shall have a system of random checks and mystery shopping to ensure that their agents have been properly briefed and trained as to how to handle customers and are also aware of their responsibilities, particularly concerning soliciting customers, hours for calling, the privacy of customer information, conveying the correct terms and conditions of the product on offer.

Also, they need to ensure that their employees/agents do not indulge in mis-selling of credit cards by providing incomplete or incorrect information to the customers before the issuance of the credit card.

### 9. Other form factors in place of debit cards:

Scheduled commercial banks (SCBs) can issue other form factors in place of a plastic debit card such as wearables after obtaining explicit consent from the customer. Notably, form factors issued in place of the debit card should be subject to the specific and general guidelines applicable to debit cards.

Banks need to provide options for disabling or blocking the form factor through mobile banking, internet banking, SMS, IVR, or any other mode.

### 10. Review of debit cards operations:

Banks are required to take a review of their operations/issue of debit cards on a half-yearly basis. The review will include card usage analysis involving cards not used for long durations and the inherent risks therein.

What will not come into effect from July 1?

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On June 21, RBI said considering various representations received from the industry stakeholders, it has been decided to extend the timeline for implementation of the following provisions of the Master Direction to October 01, 2022.

These are:

1. Card issuers should 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. In case of no consent, card issuers will have to close the credit card account without any cost to the customer within seven working days from the date of seeking confirmation from the customer.
2. Further, card issues have to 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.
3. No capitalization of unpaid charges/levies/taxes for charging/compounding of interest on credit cards.