

MASTER DIRECTIONS – CREDIT CARDS AND DEBIT CARDS – ISSUANCE AND CONDUCT DIRECTIONS, 2022



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On April 21, 2022, the Reserve Bank of India (RBI) published the Master Directions on Credit Card and Debit Card – Issuance and Conduct Directions, 2022 (**Directions**). These Directions will become effective from July 1, 2022 and cover the general and conduct regulations relating to credit, debit, and co-branded cards.

Any provisions in the Directions in relation to credit cards will apply to every Scheduled Bank (excluding Payments Banks, State Co-operative Banks, and District Central Co-operative Banks) and all Non-Banking Financial Companies (NBFC) operating in India. Any provisions in the Directions in relation to debit cards will apply to every bank operating in India. Excerpts from the Directions have been reproduced below.

Provisions in relation to conducting a credit card business

Eligibility for issuing credit cards:

Entity	Eligibility
Scheduled Commercial Banks (SCB) (can issue independently or in a tie-up arrangement with other card issuing banks or NBFCs with approval of their boards)	<ul style="list-style-type: none"> Minimum net worth of INR 100 crore Prior approval of RBI only required if setting up separate subsidiaries for undertaking credit card business
Regional Rural Banks (RRB)	<ul style="list-style-type: none"> Collaboration with their sponsor bank or other banks
Urban Co-operative Banks (UCB)	<ul style="list-style-type: none"> Minimum net-worth of INR 100 crores Prior approval of regional office of the RBI with a copy of Board resolution Credit card cannot be issued to the non-members Cannot issue co-branded credit cards

¹ Please note that without RBI approval, NBFCs cannot issue debit cards, credit cards, charge cards, or similar products virtually or physically.

NBFCs ¹	<ul style="list-style-type: none"> Maintaining net owned fund of INR 100 crores Prior approval of RBI required
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- Governance structure:** As a measure of corporate governance, the Directions provide that each card-issuer² should have a well- documented, Board-approved policy for the issuance and conduct of the credit cards, which should be in adherence to the various instructions given by the RBI from time to time and must be published on the website of the card-issuer. Card-issuers should also have a mechanism in place for the review of their credit card operations on a half-yearly basis by their Audit Committee.
 - 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, to be provided to customers
 - Reasons for rejection of application to be conveyed in writing
 - The Most Important Terms and Conditions (MITC) will be highlighted and published/sent to the customers at acceptance stage (welcome kit), in important subsequent communications, and each time a condition is modified with notice to the customer
 - Explicit consent required for issuing credit cards or other products/services offered along with the card, including any insurance cover offered with the card
 - Any loss arising out of misuse of such unsolicited cards, before the card reaches the persons in whose names these have been issued, will be the responsibility of the card-issuer only
 - One Time Password (OTP) based consent from the cardholder for activating a credit card
 - No reporting of any credit information relating to a new credit card account to Credit Information Companies prior to activation of the card
 - Appointed telemarketers must comply with directions/regulations on the subject issued by the

² The Directions have defined the term 'card-issuer' to include banks which issue credit or debit cards and NBFCs who have been permitted by the RBI to issue credit cards.

Telecom Regulatory Authority of India (TRAI) from time to time while adhering to guidelines issued on Unsolicited Commercial Communications – National Customer Preference Register (NCPR)

- Specified hours (10 am to 7 pm) to contact customers
- 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, and the same will also be separately indicated in the credit card bill/statement
- **Types of credit cards:**
 - Card-issuers may issue credit cards/charge cards and add-on cards to individuals for personal use as well as issue business credit cards (charge cards, corporate credit cards or by linking a credit facility such as overdraft/cash credit) with add-on cards to business entities/individuals for business expenses
- **Closure of credit cards:**
 - Closure requests to be honored in 7 working days, subject to payment of all dues by the cardholder; failure to meet timeline will result in a penalty of INR 500 for every day of delay, which is payable to the customer, till the closure of the account provided there is no outstanding in the account
 - Cardholder will be immediately notified about the closure through email, SMS, etc.
 - Closure process to be initiated upon non-usage for more than 1 year, after intimating the cardholder
- **Interest rates and other charges:**
 - Card-issuers will be guided by instructions on interest rate on advances issued by RBI, as amended from time to time
 - Interest charged will be justifiable having regard to the cost incurred and the extent of return that could be reasonably expected by the card-issuer
 - The card-issuers will publicize through their website and other means, the interest rates charged to various categories of customers, and indicate upfront the methodology of calculation of finance charges with illustrative examples
 - A credit card account will be reported as 'past due' or penal charges levied, if any, only when the account remains 'past due' for more than three days
 - There will not be any hidden charges while issuing credit cards free of charge
- **Billing:**
 - Card-issuers to ensure no delay in sending/dispatching/emailing bills/statements and that the customer has sufficient number of days (at least one fortnight) for making payment before the interest starts getting charged
 - In case, a cardholder protests any bill, the card-issuer will provide explanation and, wherever applicable, documentary evidence will be provided to the cardholder within a maximum period of 30 days from the date of complaint
 - No charges will be levied on transactions disputed as 'fraud' until the dispute is resolved
 - Cardholders will be provided a one-time option to modify the billing cycle

- **Issue of unsolicited facilities:**
 - Explicit consent required for offering unsolicited loans or other credit facilities
 - No unilateral upgradation of credit cards and enhancement of credit limits
 - Explicit consent required whenever there is/are any change/s in terms and conditions
- **Reporting to Credit Information Companies (CICs):**
 - Card-issuer will explicitly bring to the notice of the customer that such information is being provided in terms of the Credit Information Companies (Regulation) Act, 2005
 - In the event the customer settles his/her dues after having been reported as defaulter, the card-issuer will update the status within 30 days from the date of settlement
 - In cases of dispute, disclosure/release of information will be made only after the dispute is settled
- **Customer conduct:**
 - In the matter of recovery of dues, card-issuers will ensure that they, as well as their agents, adhere to the Fair Practices Code for lenders
 - Card-issuers will ensure that their third-party agencies for debt collection refrain from actions that could damage their integrity and reputation and observe strict customer confidentiality
 - Name and contact details of the recovery agent to be provided to the cardholder immediately upon assigning the agent
 - Card-issuers will ensure that their employees/agents do not indulge in mis-selling of credit cards by providing incomplete or incorrect information to the customers, prior to the issuance of a credit card

Issue of debit cards by banks

- Banks will formulate a comprehensive issuance policy with the approval of their Boards and issue debit cards to their customers in accordance with this policy
- Prior approval of the RBI is not necessary for banks desirous of issuing debit cards to their customers
- Debit cards will only be issued to customers having savings bank/current accounts
- No bank will issue debit cards to cash credit/loan account holders
- Banks will not force a customer to avail debit card facility and will not link issuance of debit card to availing of any other facility from the bank
- SCBs (other than RRBs) may issue other form factors in place of a plastic debit card such as wearables after obtaining explicit consent from the customer
- Banks will provide options for disabling or blocking the form factor through mobile banking, internet banking, SMS, IVR or any other mode
- **Co-branding arrangements:**
 - Prior approval of the RBI is not necessary for issuance of co-branded debit cards/co-branded prepaid cards by banks; however, UCBs will not issue debit/credit cards in tie-up with other non-bank entities
 - The co-branding partner will not advertise/market the co-branded card as its own product
 - Card-issuers will carry out due diligence in respect of the co-branding partner entity with which they

- intend to enter into tie-up for issue of such cards to protect themselves against the reputation risk
 - Card-issuers will be liable for the acts of the co-branding partner
 - Card-issuers will ensure that cash backs, discounts and other offers advertised by a co-branding partner are delivered to the cardholder on time
 - The role of the co-branding partner entity under the tie-up arrangement will be limited to marketing/distribution of the cards and providing access to the cardholder for the goods/services that are offered, and the co-branding partner will not have access to information relating to transactions undertaken through the co-branded card
 - Post issuance of the card, the co-branding partner will not be involved in any processes or controls relating to the co-branded card except for being the initial point of contact in case of grievances
 - NBFCs, which desire to enter into a co-branding arrangement for issue of credit cards with a card-issuer, will also be guided by the Guidelines on issue of co-branded credit cards contained in the respective Master Directions applicable to NBFCs, as amended from time to time
- of law relating to maintenance of secrecy in the transactions
 - Card-issuers will be solely responsible for the correctness or otherwise of the data provided for the purpose
 - Under a co-branding arrangement, the co-branding entity will not be permitted to access any details of customer's accounts that may violate the card-issuer's secrecy obligations.
- **Other general aspects:** The Directions contain a number of general guidelines, some of which are enumerated here:
 - The cardholder will be provided with a record of the transactions after he/she has completed it, immediately in the form of receipt or another form such as the bank statement/email/SMS
 - Card-issuers will block a lost card immediately on being informed by the cardholder
 - Card-issuers will provide to the cardholder the detailed procedure to report the loss, theft or unauthorized use of card or PIN
 - No card-issuer will dispatch a card to a customer unsolicited, except in the case where the card is a replacement/renewal of a card already held by the customer
 - Card-issuer will obtain explicit consent of the cardholder prior to the renewal of an existing card
 - The terms will clearly specify the time-period for reversal of unsuccessful/failed transactions and the compensation payable for failure to meet the specified timeline

General guidelines for credit and debit cards

- **Redressal of grievances:**
 - Card-issuers will put in place a Grievance Redressal Mechanism within the card issuing entity and give wide publicity through electronic and print media
 - Call centre staff to be trained adequately to competently handle and escalate a complaint
 - Provision for automatic escalation of unresolved complaints from a call center/base level to higher authorities
 - Card-issuers will be liable to compensate the complainant for the loss of his/her time, expenses, financial loss as well as for the harassment and mental anguish where the grievance has not been redressed in time
 - If a complainant does not get satisfactory response within a maximum period of 1 month from the date of lodging the complaint, he/she will have the option to approach the concerned RBI Ombudsman for redressal of his/her grievance/s
- **Confidentiality of customer information:**
 - Card-issuers will not reveal any information relating to customers obtained at the time of opening the account or issuing the card to any other person or organization without obtaining their explicit consent, with regard to the purpose/s for which the information will be used and the organizations with whom the information will be shared
 - Card-issuers will ensure strict compliance to the legal framework on data protection
 - The information sought from customers will not be of such nature which will violate the provisions

