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SBP issues operational guidelines for credit card business

The State Bank of Pakistan today issued comprehensive operational guidelines for credit card business of commercial banks/DFIs, outlining code of conduct for various aspects of credit card operations including their marketing, interest rate charges, recovery of dues, billing processes etc.

According to the guidelines, banks/DFIs are advised to quote interest rate and service charges on annual basis. Although, they are free to set the aforesaid rates, banks/DFIs are required to set well-defined service level for each of the product/service; whether charged or free. Banks/DFIs should also inform the credit card holder on the interest rate or services charges through advertisement and/or sending information to card holders on their addresses.

Banks/DFIs should not levy any charge that was not explicitly mentioned either in the User Guide or Application Form or Schedule of Charges provided to the customer at the time of selling credit card, without the prior consent of the card holder. However, this would not be applicable to excise duty or other charges which may be levied by the Provincial or Federal Government or any other statutory authority from time to time. Banks/DFIs should, however, timely update the customers on the imposition of such levies. Banks are also advised that interest amount should be charged on net credit i.e. after deducting the amount paid by the card holder. The outstanding amount due to rounding-off of paisas, should not be considered as partial payment and interest amount should not be charged on it.

According to the guidelines, banks/DFIs must ensure that their recovery/collection officers should not resort to any verbal or physical harassment of the delinquent credit card holder, their family members, referees and friends during recovery/collection efforts. Recovery/collection officers should also not humiliate publicly or in private or intrude the privacy of the credit card holder's family members, referees and friends. Telephone calls and visits to credit card holders for recovery of unpaid dues should be restricted to a convenient time and the same may be defined in the Bank/DFIs public policy and should be properly communicated to customers at the time of issuance of credit card. In addition, recovery should only be made from principal card holder and in no case supplementary card holders shall be resorted to any sort of pressure to pay the unpaid amount. However, supplementary card holders may be contacted only to enquire about the whereabouts of the principal card holder. Moreover, banks/DFIs should not start recovery process for reported disputed transactions until the investigation carried out by card-issuing Bank/DFI/Banking Ombudsman/State Bank of Pakistan is completed. In case of wrong/ inappropriate basis of rejection of customer claim, bank/DFI would be liable for penalty.

With regard to marketing of credit cards, banks/DFIs should discourage aggressive and hard selling & marketing practices during working/office hours; except with prior appointment of the prospective customer. In case a customer is called during office hours for seeking appointment, he/she should be first asked for the option to continue with the call or not.

Banks/DFIs should seek prior consent of their customers/account holders for informing them on new products and services on telephone as and when introduced. In this regard, banks should maintain a "Don't call list" comprising the contact details of those customers who do not want to be contacted. The list should be accessible to all marketing staff and they should be advised not to contact such customers /account holders for introducing or offering new banking products. In this connection, banks should update the database of existing customers within three months from the date of issue of these guidelines. Banks/DFIs should follow the Code of Conduct for marketing of credit cards which will be issued by Pakistan Banks' Association (PBA) in consultation with SBP.

Guidelines stipulate that credit card may only be issued by the banks/DFIs, pursuant to a written application duly filled and signed by the prospective customer. However, in order to reward and retain high-end existing customers, pre-embossed cards may be issued after a proper acceptance by the customer, which may be in the form of any verifiable mode such as recorded phone call. Nevertheless, these pre-embossed Credit Cards should be activated only after receiving complete application form from high-end customers and criteria for selecting high end customers must be defined in the bank policy.

Keeping in view the complex nature of credit cards, the banks/DFIs are advised to simplify the credit card terms and conditions, and keep them clear and understandable both in English and Urdu languages. In order to mitigate fraudulent use of credit cards, banks/DFIs should have built in functionality in their systems to monitor the usage of credit card. Additionally, it should also promptly identify unusual or out of pattern transactions. In this connection, banks/DFIs may introduce checks or limits on certain category of transactions, customers, merchants etc. Under the SBP guidelines banks/DFIs are required to dispatch monthly Statement of Account to credit card holders at least 15 days before the due date. Towards this end, banks/DFIs may offer online, email or IVR billing facility, with appropriate security measures. If the customer lodges complaint regarding non-receipt of monthly Statement of Account, the statement should be dispatched to him/her free of cost, within two working days from the date of complaint.

Banks/DFIs are also advised that they should have an appropriate complaint resolution structure in place commensurate with the volume of complaints and better service consideration. Credit card complaints resolution mechanism must be prominently disclosed on the official website of the Bank/DFI. The Bank/DFI may also arrange online complaint registration on their websites. Complaint number should be provided to each complaint submitted to bank/DFI and same should be communicated to the Credit card holder. Banks/DFIs must resolve the disputed transactions/complaint of the credit card holder promptly and as per the franchise rules of VISA, MasterCard, AMEX or any other international card association, taking into account nature of the transaction, distances, time zones, etc. However, in no case complaint resolution time should exceed 45 days from the date of complaint for the transaction(s) under dispute originated within Pakistan. In addition, interest amount should not be charged to customer during investigation period. Bank/DFI will recover interest amount accumulated during investigation period only when the dispute is settled in favour of bank/DFI. If decision turns in favour of the customer, the bank/DFI needs to refund the amount of disputed transactions, even to those customers who had made the payment of disputed transaction and cancelled the card after lodging complaint.

Under the guidelines, banks/DFIs are advised to develop sound risk evaluation procedures for enlisting /registration of merchants keeping in view the franchise rules of their respective franchiser. The enlistment/registration process may inter-alia include proper identification, verification and good credit history, clean track record in Visa's National Merchant Alert Service and / or Master Card's Member Alert to Control High Risk Merchants etc. Banks/DFIs providing 'acquiring services' need to educate their merchants about the use of Point of Sale (POS) Machine, genuineness of credit cards, signature verification, their rights and responsibilities under the agreement. Acquirer banks/DFIs are required to facilitate merchants by providing prompt payments and timely maintenance/service of POS machines. Acquirer Banks/DFIs should maintain track record of merchant's performance and categorize them, based on risks, involvement in frauds & disputed transactions etc. and develop a data base or negative list of merchants involved in fraudulent activities. The merchants involved in credit card related frauds should be delisted and their particulars should be shared with other banks/DFIs through PBA.

Complete guidelines are available at SBP website www.sbp.org.pk.
