

**Top 10 key takeaways from RBI's new rules on issuance and conduct of Debit, Credit Cards**

The RBI vide. Circular No. RBI/2022-23/92 DoR.AUT.REC.No.27/24.01.041/2022-23, Dated April 21, 2022, has issued new directions relating to the issuance and conduct of Credit Card and Debit Cards. The directions cover the general and conduct regulations relating to credit, debit, and co-branded cards which shall be read along with prudential, payment, and technology & cyber security-related directions applicable to credit, debit, and co-branded cards, as issued by the RBI.

The provisions of these Directions relating to debit cards shall apply to every bank operating in India. Whereas, the directions on credit cards shall apply to every Scheduled Bank and all Non-Banking Financial Companies (NBCs) operating in India. The Directions will be effective from July 1, 2022.

This write-up aims to highlight the top 10 key takeaways from the RBI's master direction on the issuance and conduct of Credit, and Debit cards hereunder:

**1. Scheduled Banks with a Net worth of Rs. 100 crores or more can only do credit card business**

Now Scheduled Commercial Banks (SCBs) with a net worth of <100 crore and above are permitted to undertake credit card business with the approval of their Boards. Regional Rural Banks (RBs) are permitted to issue credit cards in collaboration with their sponsor bank or other banks. Financially sound and well managed Scheduled Urban Cooperative Banks (UCBs) with a minimum net worth of 100 crore may issue Credit Cards subject to the specified conditions. However, NBCs registered with the Reserve Bank shall not undertake credit card business without prior approval of the Reserve Bank

**2. Banks to issue one-pager key fact statements along with credit card application**

As per directions, the Card-issuers shall have to 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, charges, etc.

**3. RBI forbids unsolicited up-gradation of credit cards**

The directions prohibit credit cards issuers from issuing unsolicited cards/ upgradation without the explicit consent of the customer. It further provides 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.



**4. Banks to seek OTP based consent for activating a credit card; mandates closure no consent is received**

Card issuers shall have to 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. It further provided that If no consent is received for activating the card, card issuers shall have to close the credit card account without any cost to the customer within 7 working days from the date of seeking confirmation from the customer.

**5. Banks are prohibited from sharing credit information with CIC prior to card activation:**

The directions prohibit Card-issuer from reporting 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.

**6. Credit-card issuers to ensure complete transparency transactions into EMIs**

The directions require the Card-issuers to 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 an interest component shall not be camouflaged as zero-interest / no-cost EMI

**7. Explicit consent of the customers required for credit card related service:**

The consent for the cards issued or the other products/ services offered along with the card shall be explicit and shall not be implied. Unsolicited loans or other credit facilities shall not be offered to the credit cardholders without seeking explicit consent. In case an unsolicited credit facility is extended without explicit consent the card issuer shall not only withdraw the facility but also be liable for the penalty. Card issuers shall not unilaterally upgrade credit cards and enhance credit limits. Explicit consent of the cardholder shall be taken whenever there are any changes in terms and conditions of the issue.

**8. Prohibition on-off time calls**

The directions specified that the card issuers representatives shall contact the customers only between 10:00 hrs and 19:00 hrs.

**9. Time-bound closure of credit cards**

The directions strictly mandate time-bound action on requests for the closure of credit cards. The directions prescribe that the request for closure of a credit card shall be honored within 7 working days by the credit card issuer. The card-issuer shall not insist on sending a closure request through post or any other means which may result in the delay of receipt of the request. Further, if a credit card has not been used for a period of more than 1 year, the process to close the card shall be initiated after intimating the cardholder. If no reply is received from the cardholder within a period of 30 days, the card account shall be closed by the card-issuer, subject to payment of all dues by the cardholder. Any credit balance available in credit card accounts shall be transferred to the cardholder's bank account.

**10. Directions relating to Debit Cards**

- Banks to issue other form factors in place of the plastic debit cards such as wearables after obtaining explicit consent from the customers.
- RBI mandates Card-issuers to carry out due diligence for the issue of co-branded cards
- RBI mandates card-issuers to adhere to guidelines on 'Managing Risks and Code of Conduct in Outsourcing of Financial Services by banks'
- The directions restrict the role of the co-branding partner entity under the tie-up arrangement limited to marketing/distribution of the cards