

Recent Amendments to Master Directions on Credit Card and Debit Card

The Reserve Bank of India (**RBI**) on March 7, 2024, introduced the Amendment to the Master Direction – Credit Card and Debit Card – Issuance and Conduct Direction, 2022 (**Amendments**) for banks and non-banking financial companies issuing credit cards and all banks operating in India with debit cards. The RBI also rolled out a Frequently Asked Questions on March 7, 2024 (**FAQs**, together with the Amendments, as **Directions**), which provides more clarity on the dealings between the card-issuer and cardholder. The reasons for these Directions include monitoring of the end use of credit cards, keeping in check excessive charges such as those by penal interest, ensuring the security of customer data in a co-branded arrangement, etc. Following are the key takeaways:

Key Takeaways:

- (i) **Card limits** – Card-issuers can issue business credit cards to business entities/ individuals for business expenses. Additionally, the business credit card may be issued as charge cards, corporate cards, or by linking an overdraft or cash credit facility provided for business purposes on same terms and conditions applicable to such credit facilities. The Amendments direct card-issuers to have an effective mechanism in place to monitor the end use of funds.
- (ii) **Interest, penalty, and other charges** – If a credit cardholder fails to clear the total amount due within the payment due date, card-issuers can revoke interest-free credit period and levy interest from the date of transaction on the outstanding amount (adjusted for payments/ refunds/ reversed transactions as and when credited) and not on the total amount due. They can also levy late payment fee and other charges relating to delay in payment only on the outstanding



amount (adjusted for payments/ refunds/ reversed transactions as and when credited) after the payment due date and not on the total amount due.

The RBI's objective is to make the interest applicable more transparent and stop card-issuers from charging excessive interests by capitalizing on the unpaid taxes/ levies/ charges.

- (iii) **Billing Cycle** – Card-issuers need to provide the cardholder with the option of choosing any date as the starting or closing day of billing cycle at least once, without a maximum cap, instead of a one-time option in the erstwhile directions, which the cardholders can exercise through multiple channels such as the helpline, dedicated e-mail ID, interactive voice response, internet banking, mobile application, and any other modes.
- (iv) **Activation/ deactivation/ closure of cards** – *Activation* is any customer-initiated process indicating intent to use a credit card, such as PIN generation, modification

of transaction control, interactive voice response, recorded call to the customer-care center, and SMS. If a cardholder calls the customer-care center for reasons other than these, it does not tantamount to card usage.

For what may be considered as “used” credit card, the RBI has provided that in addition to financial transactions, any process the cardholder initiates, such as statement generation, PIN change, transaction control modifications, etc., will be considered as a card being “used”.

De-activation/blocking of a credit card temporarily curtails a cardholder’s ability to make any transaction in a credit card account while still maintaining the credit/ account relationship with the card-issuer.

Closure of a credit card is the termination of the account-based relationship between the cardholder and the card-issuer.

The card-issuers have to ensure that they follow a standard operating procedure, as approved by their board, for instances where cardholders themselves decide to block/ deactivate/ suspend a debit or credit card, and immediately inform the cardholder along with reasons through electronic means (SMS, email, etc.) and other available modes.

Upon receiving a closure request from a customer, subject to no outstanding amount in the account, the card-issuer needs to complete the process of closure within seven working days, failing which it is liable to pay the cardholder a penalty of INR 500 per calendar day of delay, until the closure of the account.

- (v) **Data storage/security in co-branded card arrangement** – Currently, after the issuance of the card, the co-branded partner is not involved in any of the processes or the controls relating to the co-branded card except for being the initial point of contact in case of grievances. For the convenience of the cardholder, the RBI has clarified that data related to card transactions may be drawn directly from the card-issuer’s system in an encrypted form and be displayed on the co-branding partner’s website.

While facilitating easy access to card transactions for cardholders, the co-branding partner must have

a robust security framework in place to ensure that only the customer can access the transaction-related data, and be cautious that the co-branding partner can neither access nor store such data, irrespective of whether the co-branding partner acts in any other service-provider capacity (e.g., a business correspondent or a technology-service provider) for the card-issuer.

- (vi) **Unsolicited card** – A customer receiving an unsolicited credit card should refrain from activating it or providing consent for its activation through OTP mode. If the card-issuer does not receive any consent for activation, it must close the credit card account without any cost to the customer. The customer, on the other hand, should destroy the card upon receiving information about the closure of the credit card account. In instances of the renewal of an existing card, card-issuers must provide cardholders the option of declining it before the new card is dispatched.

A customer may additionally approach the RBI Ombudsman to file a complaint against the issuance of unsolicited card. Given the prohibition on issuing unsolicited credit cards and the escalation mechanism before the the RBI Ombudsman, it may be a good practice for the card-issuers to not issue an unsolicited card.

- (vii) **Grievance Redressal** – Card-issuers should satisfactorily respond or aim to resolve any complaints of a customer facing any issue within 30 days of receiving the complaint. If the card-issuer does not respond within 30 days (instead of a month in the erstwhile directions), or partly responds, or does not respond satisfactorily or rejects the complaint, the customer can approach the RBI Ombudsman under the Integrated Ombudsman Scheme either through an online or offline mode.

Miscellaneous:

- (i) **Form Factors:** Card-issuers can issue other form factors in place of/ in addition to a plastic debit/ credit card such as wearables, after obtaining the customer’s explicit consent. Card-issuers need not submit a detailed report to the RBI before the issuance of any form factor as was mandated prior to the Directions.

(ii) **Outsourcing:** Card-issuers must ensure adherence to the Master Direction on “*Outsourcing of Information Technology Services*” and guidelines on “*Managing Risks and Code of Conduct in Outsourcing of Financial Services*”, as amended periodically. Further, card-issuers cannot share card data (including transaction data) of the cardholders with the outsourcing partners. They can do so only with the explicit consent from the cardholder if sharing such data is essential for the outsourcing partners to discharge the functions assigned to them. Card-issuers must ensure that the storage and the ownership of card data remains with them.

Conclusion

The Directions of the RBI is a step towards building a greater control for cardholders leading to an improved relationship with card-issuers. In addition to enhancing the operating norms, the Directions have placed a strong focus on limiting card-issuers’ activities in the absence of an explicit request or approval from the cardholder. The Directions intend to make it simpler for customers to understand their own rights as well as the obligations of card-issuers when navigating the card space.

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