

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES
LOK SABHA
UNSTARRED QUESTION NO. 3485
ANSWERED ON MONDAY, JULY 15, 2019/ ASHADHA 24, 1941 (SAKA)

CREDIT CARD COMPANIES

3485. SHRI PARBATBHAI SAVABHAI PATEL:
SHRI NARANBHAI KACHHADIYA:

Will the Minister of FINANCE be pleased to state:

- (a) the number of companies/banks which are providing credit card facility along with the number of credit card holders at present in the country;
- (b) the number of credit card holders added during each of the last three years and the current year, along with the rate of interest charged by the companies/banks from the payment defaulters during the said period, company/bank-wise;
- (c) whether the Government is aware that due to non-regulation of rate of interest charged by credit card companies/banks, they are charging high rate of interest per annum; and
- (d) if so, the details thereof and the corrective steps taken by the Government to address the issue?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI ANURAG SINGH THAKUR)

(a) to (b): The Reserve Bank of India (RBI) has informed that as on 31.03.2019, 34 Scheduled Commercial Banks have issued 48,920,802 credit cards. The number of credit cards increased / decreased during the years 2016-17, 2017-18, 2018-19 and 2019-20 is given in **Annex**. Further, RBI has deregulated the interest rate on advances sanctioned by Scheduled Commercial Banks (excluding Regional Rural Banks) with effect from 18.10.1994 and interest rates are determined by banks with approval of their respective Board of Directors subject to regulatory guidelines on interest rate on advances contained in RBI's Master Direction dated 03.03.2016.

(c) to (d): In terms of Para 5.1 of Part I of RBI's Master Circular on "Credit Card, Debit Card and Rupee Denominated Co-branded Pre-paid Card Operations of Banks and Credit card issuing Non Banking Finance Companies (NBFCs)" dated 01.07.2015, banks are advised to:

- be guided by the instructions on interest rate on advances issued by RBI and as amended from time to time, while determining the interest rate on credit card dues, the latter being in the nature of non-priority sector personal loans.
- prescribe a ceiling rate of interest, including processing and other charges, in respect of credit cards. In case banks/ NBFCs charge interest rates which vary based on the payment/ default history of the cardholder, there should be transparency in levying of such differential interest rates. In other words, the fact that higher interest rates are being charged to the cardholder on account of his payment/ default history should be made known to the cardholder. For this purpose, the banks should publicise through their website and other means, the

interest rates charged to various categories of customers. Banks/NBFCs should upfront indicate to the credit card holder, the methodology of calculation of finance charges.

- Further, in terms of Para 5.2(b) of the above stated Master Circular, card issuers should quote Annualized Percentage Rates (APR) on card products (separately for retail purchase and for cash advance, if different). The method of calculation of APR should be given with a couple of examples for better comprehension. The APR charged and the annual fee should be shown with equal prominence. The late payment charges, including the method of calculation of such charges and the number of days, should be prominently indicated. The manner in which the outstanding unpaid amount will be included for calculation of interest should also be specifically shown with prominence in all monthly statements. Even where the minimum amount indicated to keep the card valid has been paid, it should be indicated in bold letters that the interest will be charged on the amount due after the due date of payment. These aspects may be shown in the Welcome Kit in addition to being shown in the monthly statement. A legend/notice to the effect that "Making only the minimum payment every month would result in the repayment stretching over years with consequent interest payment on your outstanding balance" should be prominently displayed in all the monthly statements so as to caution the customers about the pitfalls in paying only the minimum amount due.

In terms of Para 5.2(c) of the above stated Master Circular, banks/NBFCs should step up their efforts on educating the cardholders of the implications of paying only 'the minimum amount due'. The "Most Important Terms and Conditions" should specifically explain that the 'free credit period' is lost if any balance of the previous month's bill is outstanding. For this purpose, banks/NBFCs could work out illustrative examples and include the same in the Welcome Kit sent to the cardholders as also place it on their website.
