

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA
UNSTARRED QUESTION NO. 2905

Answered on the 7th August, 2023/Sravana 16, 1945 (Saka)

Penalties by Banks on Credit Card

2905. SHRI VISHNU DATT SHARMA:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government is cognizant of the various kinds of unjust and usurious charges and penalties being charged by private banks on credit cards, missed loan installments and other financial services;
- (b) if so, whether the Government has instituted any study on the widespread distress, debt-traps and even suicides caused by this, in the country;
- (c) whether the Government has any data regarding this and if so, the details thereof; and
- (d) the measures being taken by the Government to address this issue?

ANSWER

THE MINISTER OF STATE FOR FINANCE
(DR. BHAGWAT KARAD)

(a) to (d): Reserve Bank of India (RBI), vide its Master Direction on Credit Card and Debit Card – Issuance and Conduct, directed the card-issuers, while determining the interest rate on credit card dues, to be guided by the said instructions, which include, inter-alia, prescribed interest rate ceiling along with processing and other charges to be in line with other unsecured loans, no hidden charges while issuing credit card, quote an Annualized Percentage Rates on credit cards for different situations such as retail purchases, cash advances, non-payment of minimum amount due, late payment etc. Also, RBI has directed that while fixing service charges for various types of services like cheque collection, locker rent, processing charges on advances etc, banks should ensure that the charges are reasonable and are not out of line with the average cost of providing these services.

Further, RBI, vide its guidelines on fair practice code for lenders, advised banks to inform ‘all in cost’ to the customer to enable him to compare the rates charged with other sources of finance. For bringing in fairness and transparency, banks are required to transparently disclose to the borrower all information about fees / charges including, inter alia, file charge, document charge, the amount of fees refundable if loan amount is not sanctioned/ disbursed, pre-payment options and charges, penalty for delayed repayments, conversion charges for switching loan from fixed to floating rates or vice versa, existence of any interest reset clause and any other matter which affects the interest of the borrower, and lenders should ensure that such charges are non-discriminatory.

To handle customer grievances, RBI has directed banks to put in place a suitable mechanism for receiving and addressing complaints from its customers / constituents with specific emphasis on resolving such complaints in a fair and expeditious manner. Further, any customer aggrieved by an act or omission of a Regulated Entity resulting in deficiency in service may file a complaint with RBI under its integrated ombudsman scheme.
