

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF FINANCIAL SERVICES

**LOK SABHA**

**UNSTARRED QUESTION NO. 1256**

TO BE ANSWERED ON MONDAY, FEBRUARY 10, 2020 / MAGHA 21, 1941 (SAKA)

**INTEREST ON CREDIT CARDS**

**1256. SHRI VELUSAMY P:**

Will the Minister of FINANCE be pleased to state:

- (a) whether one of the foreign banks has increased its interest rate on outstanding balance from 37.2 to 42 per cent in their credit card at a time when the interest rates are going down following the directives of the RBI by way of rate cut and if so, the details thereof;
- (b) the steps taken by the Ministry to control these foreign and Indian Banks' interest rates to protect the interest of the card holders;
- (c) whether the Government proposes to bring these credit card operations under the control of the RBI monitoring; and
- (d) if so, the details thereof and if not, the reasons therefor?

**ANSWER**

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI ANURAG SINGH THAKUR)

**(a) and (b):** The Reserve Bank of India (RBI) has informed that it has deregulated the interest rates on advances (including interest rates on credit card dues) sanctioned by Scheduled Commercial Banks (excluding Regional Rural Banks) with effect from 18.10.1994 and the interest rates are determined by banks with the approval of their respective Boards of Directors subject to regulatory guidelines on interest rate on advances contained in RBI's Master Direction dated 03.03.2016. Information with regard to interest rates charged by individual banks on outstanding balances in credit cards issued by them is not available with RBI.

**(c) and (d):** To protect the interest of credit card holders, RBI has already advised banks, vide its Master Circular dated 01.07.2015 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.

- 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.
- step up 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.

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