



Operational Guidelines for Credit Card Business in Pakistan



Payment Systems Department

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1 Marketing of Credit Cards

- 1.1 Banks/DFIs should follow the Code of Conduct for marketing of Credit Cards which will be issued by Pakistan Banks' Association (PBA) in consultation with SBP.
- 1.2 Banks/DFIs should discourage aggressive and hard selling & marketing practices during working/office hours; except with prior appointment of the prospective customer. In case a customer is called during office hours for seeking appointment, he/she should be first asked for the option to continue with the call or not.
- 1.3 Banks/DFIs should seek prior consent of their customers/account holders for informing them on new products and services on telephone as and when introduced. In this regard, banks should maintain a "Don't call list" comprising the contact details of those customers who do not want to be contacted. The list should be accessible to all marketing staff and they should be advised not to contact such customers /account holders for introducing or offering new banking products. In this connection, banks should update the database of existing customers within three months from the date of issue of these guidelines.
- 1.4 Marketing staff must disclose their official identity before or during meeting with prospective customer.
- 1.5 Banks/DFIs should conduct regular training and awareness sessions of their marketing personnel covering all aspects of Credit Card operations including charges to be paid by the customers, safety measures, complaints resolution mechanism etc.
- 1.6 Marketing personnel and/or third party of the Banks/DFIs should provide complete information on the Credit Cards to the prospective customer and should not make false claims on any feature which the Bank/DFI does not offer. In this connection, Banks/DFIs should conduct Surprise Checks; at least once in every quarter, to verify the marketing approach used by their marketing personnel or third party. If some one found involved in making false claims and/or contacting customers included in "Don't call list"; then Banks/ DFIs should immediately take remedial steps and take disciplinary action against the concerned staff, in order to prevent such tendency in future and also immediately inform the customer accordingly.

2 Credit Card Application Process

- 2.1 Credit Card may only be issued by the Banks/DFIs, pursuant to a written application duly filled and signed by the prospective customer. However, in order to reward and retain high-end existing customers, pre-embossed cards may be issued after a proper acceptance by the customer, which may be in the form of any verifiable mode such as recorded phone call. Nevertheless, these pre-embossed Credit Cards should be activated only after receiving complete application form from high-end customers and criteria for selecting high end customers must be defined in the bank policy.
- 2.2 Keeping in view the complex nature of Credit Cards, the Banks/DFIS are advised to simplify the Credit Card Terms & Conditions, and keep them clear and understandable both in English and Urdu languages. The marketing staff should ask customers about the choice of language and provide the Terms & Conditions accordingly. Font size of Terms & Conditions should not

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be below 11. In addition to the Application Form, following information should also be provided to the customer either in Urdu or English:

- I. Procedures of using Credit Card.
 - II. Facilities included in Credit Card.
 - III. Risks which may arise from the use of the Credit Card on different channels and the mechanism of mitigating these risks.
 - IV. Rights and obligations of Credit Card holder.
 - V. Liabilities of all parties in case of Credit Card loss/fraud.
 - VI. Complaint procedure and estimated time for dealing with complaints.
 - VII. Procedure of calculating interest with two practical examples.
 - VIII. Different types of charges, Bank/DFI may charge to card holder under various circumstances.
- 2.3 Banks/DFIs should not include any stipulation, caveat, clause or provision in Terms and Condition of the contract, which may result in curtailment of rights of customers.
- 2.4 Banks/DFIs should put in place a well structured procedure of verifying Credit Card applicant information. Before issuing the Credit Card, Banks/DFIs must establish true identity of the applicant and verify the same preferably from references and from NADRA database; provided that the applicant is not an existing account holder of the Bank/DFI.
- 2.5 Banks/DFIs should properly assess the credit risk before issuing Credit Card to any applicant and apply more Prudent Risk Management checks as they deem necessary, in addition to complying with the SBP's Prudential Regulations (PR) for consumers finance.
- 2.6 In order to mitigate fraudulent use of Credit Cards, Banks/DFIs should have built in functionality in their systems to monitor the usage of Credit Card. Additionally, it should also promptly identify unusual or out of pattern transactions. In this connection, Banks/DFIs may introduce checks or limits on certain category of transactions, customers, merchants etc.
- 2.7 Banks/DFIs must ensure confidentiality of their customers' data/information and should not divulge, share or sell customers' data/information to any body or institute. This restriction, however, shall not apply providing customers' credit information to e-CIB at SBP and/or any approved credit bureau of which the Bank/DFI is a member and/or to the companies who have agreement with the Banks/DFIs for data sharing because of outsourcing arrangements. Nevertheless, the outsourcing agreement must enforce the confidentiality clause for the third party.
- 2.8 Supplementary, Add-on or Subsidiary Credit Cards may be issued with clear understanding that the liability for payment rests with the principal card holder.

3 Information on Interest Rates and Other Charges

- 3.1 Banks/DFIs shall quote interest rate and service charges on annual basis. If different, the separate interest rate or service charges for retail purchases and for cash advance shall be quoted. Banks/DFIs are free to set the aforesaid rates, but, they are required to set well defined service level for each of the product/service; whether charged or free.
- 3.2 Banks/DFIs should inform the Credit Card holder on the interest rate or services charges through advertisement and/or sending information to cardholders on their addresses.

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- 3.3 Banks/DFIs should not levy any charge (s) that was not explicitly mentioned either in the User Guide or Application Form or Schedule of Charges provided to the customer at the time of selling Credit Card, without the prior consent of the cardholder. However, this would not be applicable to excise duty or other charges which may be levied by the Provincial or Federal Government or any other statutory authority from time to time. Banks/DFIs should however, timely update the customers on the imposition of such levies.
- 3.4 Banks/DFIs should get prior approval from the existing Credit Card holders before offering any new but charged service to them.
- 3.5 Any change in Schedule of Charges, revision in the agreed terms and conditions or removal/withdrawal of an incentive should be communicated to all active Credit Card holders, at least, 30 days before the actual effective date, unless it was communicated at the time of agreement/ offer.
- 3.6 Banks/DFIs should clearly mention the charges, fees, commissions, selling exchange rate of transaction and settlement date, for executing foreign currency transactions.
- 3.7 Interest amount should be charged on net credit i.e. after deducting the amount paid by the cardholder. The outstanding amount due to rounding-off of paisas, should not be considered as partial payment and interest amount should not be charged on it.

4 Billing Process

- 4.1 Banks/DFIs are required to dispatch monthly Statement of Account to Credit Card holders at least 15 days before the due date. Towards this end, Banks/DFIs may offer Online, Email or IVR billing facility, with appropriate security measures.
- 4.2 If the customer lodges complaint regarding non-receipt of monthly Statement of Account, the statement should be dispatched to him/her free of cost, within 2 working days from the date of complaint.
- 4.3 Banks/ DFIs must send bills on monthly basis to all active Credit Card holders even in case of zero billing.
- 4.4 Banks/DFIs are required to send monthly Statement of Account to Credit Card holders which must contain following minimum information:
 - I. Breakup of Total Amount Due and the Minimum Amount Payable.
 - II. Annualized rate of Interest and interest amount along with the method of calculation for purchase of goods or services, cash advances, and other benefits of the Credit Card if different.
 - III. Acceptable modes of payment (i.e. through cash, direct debit, cheque, Balance Transfer Facility-BTF etc.), expected number of days a particular mode of payment may take in clearing, and handling charges if any. For instance, number of days required for clearing when Credit Card holder of city “A”, drops a cheque of the bank located in city “B” in the drop box placed in city “C”.
 - IV. Due date for payment.
- 4.5 Banks/DFIs should make comprehensive arrangements commensurate with the present & future business plan and needs of the Credit Card holders for the collection of bills either through designated branches, collection centers or through drop boxes. In this connection,

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Banks/DFIs offering internet banking may allow payment of Credit Card bill to Credit Card holders both through his/her own secured internet account or through other person's internet account.

- 4.6 In order to facilitate customers, Banks/ DFIs must:
- I. Collect cheques from drop boxes on daily basis and on every drop box the collection time must be written thereon.
 - II. Maintain an effective Inward Mail System so that cheques dropped in drop boxes should easily be traced in the event of their loss at some later stage.
- 4.7 Banks/DFIs should inform the Credit Card holders about the fate of the "Unpaid Cheques" within 2 working days from the date of receipt of unpaid cheques. Cheques submitted within the time prescribed by the Bank/DFI but cleared after due date must be reported to the customer along with genuine reason (s). Banks/ DFIs should not charge late payment fees to customers in case Banks/ DFIs fail to inform the customers on returned cheques within the prescribed timeframe.
- 4.8 Banks/DFIs should ensure that "due date" for payment does not fall on Sunday or any other public holiday(s). If technically possible, Banks/DFIs must accrue benefit of public holiday(s) to the customer due to sighting of moon. Bank/DFI should clarify in the Terms and Conditions that whether their system support holidays due to sighting of moon.

5 Collection/Recovery Process

- 5.1 Banks/DFIs need to ensure that recovery letters issued to Credit Card holders bear the Designation, Contact Number (s) and Office Address of the concerned official(s).
- 5.2 Banks/DFIs should respond to the queries arising out of the recovery letters within a reasonable time period. The time period must be specifically defined in Banks/ DFIs public policy and should be communicated properly to the customers.
- 5.3 Banks/DFIs must ensure that their recovery/collection officers should not resort to any verbal or physical harassment of the delinquent Credit Card holder, their family members, referees and friends during recovery/collection efforts. Recovery/Collection officers should also not humiliate publicly or in private or intrude the privacy of the Credit Card holder's family members, referees and friends.
- 5.4 Telephone calls and visits to Credit Card holders for recovery of unpaid dues should be restricted to a convenient time and the same may be defined in the Bank/ DFIs public policy and should be properly communicated to customers at the time of issuance of Credit Card.
- 5.5 Recovery should only be made from principal cardholder and in no case supplementary cardholders shall be resorted to any sort of pressure to pay the unpaid amount. However, supplementary cardholders may be contacted only to enquire about the whereabouts of the principal cardholder.
- 5.6 Banks/DFIs should not start recovery process for reported disputed transactions until the investigation carried out by Card Issuing Bank/DFI/Banking Ombudsman/State Bank of

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Pakistan is completed. In case of wrong/ inappropriate basis of rejection of customer claim, Bank/ DFI would be liable for penalty.

6 Complaint Resolution Process

- 6.1 Banks/DFIs should have an appropriate complaint resolution structure in place commensurate with the volume of complaints and better service consideration.
- 6.2 Credit Card complaints resolution mechanism must be prominently disclosed on the official website of the Bank/DFI. The Bank/DFI may also arrange online complaint registration on their websites. Complaint number should be provided to each complaint submitted to Bank/ DFI and same should be communicated to the Credit Card holder.
- 6.3 Bank/ DFI should prepare MIS on complaints received against Credit Card operations and it should be submitted to Board of Directors or to the Country Management team, in case of branches of foreign banks, on quarterly basis for taking necessary action.
- 6.4 Banks/DFIs must resolve the disputed Transactions/complaint of the Credit Card holder promptly and as per the franchise rules of VISA, MasterCard, AMEX or any other international card association, taking into account nature of the transaction, distances, time zones, etc. However, in no case complaint resolution time should exceed 45 days from the date of complaint for the transaction(s) under dispute originated within Pakistan.
- 6.5 Banks/DFIs should clearly communicate to Credit Card holders that in case of any dispute, whether they will get temporary credit during investigation period.
- 6.6 Interest amount should not be charged to customer during investigation period. Bank/DFI will recover interest amount accumulated during investigation period only when the dispute is settled in favour of Bank/DFI. If decision turns in favour of the customer, the bank/DFI needs to refund the amount of disputed transactions, even to those customers who had made the payment of disputed transaction and cancelled the card after lodging complaint.
- 6.7 Bank/ DFI should provide related evidence to customer without any charges, if complaint turns to be in favor of Bank /DFI.
- 6.8 Banks/DFIs will be responsible to get reversed the erroneous information provided to e-CIB or any other approved credit bureau, within reasonable time period.

7 Merchant Relationship

- 7.1 Role of merchants is very important in executing any transaction and in the growth of safe and secured electronic banking, particularly in Credit / Debit Cards. Therefore, Banks/DFIs are advised to develop sound risk evaluation procedures for enlisting /registration of merchants keeping in view the franchise rules of their respective franchiser. The enlistment/registration process may inter-alia include proper identification, verification and good credit history, clean track record in VISA NMAS (National Merchant Alert Service) and / or Master Card MATCH (Member Alert to Control High Risk Merchants) etc.

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- 7.2 Banks/DFIs providing “Acquiring Services” need to educate their merchants about the use of Point of Sale (POS) Machine, Genuineness of Credit Cards, Signature Verification, their rights and responsibilities under the agreement. Acquirer Banks/DFIs are required to facilitate merchants by providing prompt payments and timely maintenance/service of POS machines.
- 7.3 Acquirer Banks/DFIs should maintain track record of merchant’s performance and categorize them, based on risks, involvement in frauds & disputed transactions etc. and develop a data base of negative list of merchants involved in fraudulent activities. The merchants involved in Credit Card related frauds should be delisted and their particulars should be shared with other Banks/DFIs through PBA. Banks/DFIs may also take legal action against such merchants under the relevant laws.
