

## **CODE OF PRACTICE FOR BANKS - CREDIT CARDS** **(A sub-code of the Code of Consumer Banking Practice)**

### **1) Compliance with MAS regulations**

Card-issuers must comply at all times with rules and regulations issued by the Monetary Authority of Singapore regarding the operations of credit/charge cards in Singapore. They must have adequate policies, procedures and systems to ensure such compliance.

### **2) Disclosure of Terms and Conditions, Interest Rates and other Fees and Charges**

Card issuers are to ensure that relevant information on terms and conditions, interest rates, and other fees and charges are effectively communicated to customers/potential customers at various stages of their relationship with their customers. Details of disclosures are as follows:

#### **a) Disclosure in the sales and marketing process**

- i) Copy of the detailed terms and conditions covering the card usage to be given to every potential cardholder, if requested
- ii) Draw the attention of customers to those major terms and conditions which impose significant liabilities or obligations on their part. Such terms and conditions should be described or highlighted in plain language in the application forms for card services. The description should be printed in clear and legible type and in a font size that facilitates easy reading.
- iii) Quote the effective interest rate (EIR) on credit card products, together with the annual card fee, and any other fees, to facilitate comparison between different charging structures. The EIR and the annual fee should be shown with equal prominence whenever interest rates of credit card products are quoted.
- iv) Consumer Guide on Credit Cards - listing out pertinent questions the cardholder ought to be asking himself or the card issuer about credit cards

#### **b) Disclosure upon despatch of the card**

Card issuers should provide every new cardholder with the following:

- i) A copy of the detailed terms and conditions covering the card usage.
- ii) Consumer Guide on Credit Cards - listing out pertinent questions the cardholder ought to be asking himself or the card issuer about credit cards
- iii) Highlights of Terms and Conditions - containing an outline of the principal terms and conditions in the card agreement, namely:
  - repayment grace period
  - finance charges for purchases
  - cash advance charges
  - minimum monthly payment
  - late payment charges
  - annual membership fee
  - lost/stolen card liability
  - retrieval fee for documents
  - service charge for returned cheques
  - fees for overseas transactions, if any
  - balance computation method

c) Disclosure during the tenure of usage by a cardholder

Monthly Statements

Card-issuing banks should provide cardholders with monthly statements detailing all transactions charged to the card during the monthly statement cycle. Where the transactions are incurred in a foreign currency, the card issuer should explain the method of applying exchange rates to those transactions, and any other fees or charges added on. This can be in the form of explanatory notes in the monthly statements.

**3) Marketing Material**

All marketing material for credit cards must contain the information in paragraph 2(a)(iii) above, as well as any payment protection insurance for which the premiums would be charged to the cardholder. This information should preferably be stated in a summary box for easy reference by cardholders.

**4) Security of Cards/PINs**

If cards and PINs are sent by mail, they should be sent separately and card issuers should take reasonable steps to satisfy themselves that these have been received by the cardholders. Where cards/PINs are personally collected, card issuers should satisfy themselves as to the identity of the recipient.

Card issuers should advise cardholders to keep the card safe and the PIN secret to prevent fraud, particularly:

- a) that they should destroy the original print copy of the PIN
- b) that they should not allow anyone to use their card or PIN
- c) never to write down the PIN on the card

When cardholders opt to select their own PIN, card issuers should advise cardholders not to use numbers such as telephone numbers or other easily accessible personal information.

**5) Theft or loss of card**

Card issuers should advise cardholders of their liability for unauthorised use of their cards in the event of loss or theft of their cards. Card issuers should also make clear the procedures for stopping the use of the card, as well as the procedures for reporting loss or theft of the card. A dedicated hotline should be available for cardholders to report such loss. (See also paragraph 9 below.)

## **6) Offering of gifts, prizes, discounts and vouchers**

Card issuers should state clearly any terms and conditions associated with offers of free gifts, prizes, discounts and vouchers either in the marketing material for new cardholders, or together with the regular monthly statements for existing cardholders.

It would be unfair for a card issuer to offer gifts, prizes or other free items in connection with the issuance/usage of a credit card if the card issuer knows or ought to know that the items will not be provided or provided as offered.

It would also be unfair for a card issuer to represent in relation to a voucher that another supplier will provide goods or services at a discounted price if the card issuer knows or ought to know that the other supplier would not do so.

## **7) Supplementary Cards**

When issuing a supplementary card(s) upon a principal cardholder's instructions, card issuers should give clear notice to the primary and supplementary cardholders on their respective liabilities for debts incurred on the cards issued, and remind the principal cardholder that he is ultimately liable for charges incurred by his supplementary cardholder(s).

## **8) Unsolicited Cards**

Card issuers should be mindful of the reasons for distributing unsolicited cards to existing customers, eg to allow existing customers enjoy discounts or special offers being offered to new cardholders. Card issuers must comply with the regulations imposed by MAS on the distribution of such unsolicited cards, namely:

- a) banks must disclose all fees, charges and terms and conditions of use associated with the additional card
- b) the cardholder is not liable for any amount charged to the additional card until he has communicated his acceptance of the terms and conditions of use associated with the additional card to the card issuer either verbally or in writing
- c) the credit limit to the cardholder remains the same. No additional credit is granted in respect of the additional card to the cardholder.

The card issuer should also explain to customers how they may dispose off the card if they do not wish to accept it.

## **9) Enquiries**

Card issuers should have a dedicated hotline for customer to report loss of cards as well as to make enquiries regarding terms and conditions of the card, fees and charges, and queries regarding transactions in monthly statements, or the reporting of errors. This hotline number should be readily available to cardholders from marketing materials and other communications between the card issuers and their cardholders.

Staff manning the hotline should respond to cardholder's request expeditiously, and card issuers should set service performance indicators like turnaround time to measure the performance of such staff.

## **10) Consumer Mediation Unit (CMU)**

Card issuers should ensure that their staff are aware of the existence of the CMU, its functions and processes, so as to be able to advise customers accordingly when the need arises. Staff should also be aware of the problem escalation process from complaint handling by the card issuer, to dispute resolution by the CMU. Customers not satisfied with the outcome of the complaints handling process should be informed of the CMU for resolution. Information on the CMU, eg telephone number, person to contact, should be readily available to customers on request.

Effective Date: 3 January 2005