

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 (MAS). 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 must ensure that relevant information on terms and conditions, interest rates, and other fees and charges are effectively communicated to customers/potential customers.

a) Disclosure in the sales and marketing process

Card issuers should:

- i) Give a copy of the detailed terms and conditions covering the card usage to every potential cardholder, if requested.
- ii) Draw customers' attention to those major terms and conditions which impose significant liabilities or obligations on their part. The application forms for card services should describe or highlight such terms and conditions in plain language. The description should be printed in clear and legible type and in an easily read font size.
- 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) Provide the customer with the Consumer Guide on Credit Cards - listing out pertinent questions the cardholder ought to be asking himself or the card issuer.

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

- balance computation method
- for transactions in foreign currencies
 - basis for determining the FX rate used and whether such rate is determined by the issuer and/or a third party
 - administrative fees charged by the card issuer, if any
 - commission charged by the card issuer, if any
 - any other charges levied by the card issuer

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) that they should never write 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) Cardholders' Liability

To give cardholders more certainty about their credit card liability, card issuers should put in place the following measures to limit credit cardholders' liability for unauthorised transactions:

- a) Prior to notification of credit card loss to card issuers, the maximum liability for cardholders due to unauthorised charges is \$100 unless the cardholder has acted fraudulently, or has been grossly negligent, or has failed to inform the card issuers as soon as reasonably practicable after becoming aware that his or her card has been lost or stolen. Card issuers will investigate and may consider waiving at their discretion the \$100 liability for unauthorised charges on a case by case basis. Interest charges and late fees will not be levied during the period when investigations are being carried out.
- b) A cardholder is liable for 100% of outstanding unauthorised charges if he/she is involved in fraud or has acted with gross negligence. If a cardholder is found to have acted fraudulently, interest charges and late fees will be levied on the unauthorised charges. Banks may consider waiving at their discretion interest charges and late fees on a case by case basis if a cardholder is found to be grossly negligent.
- c) In the event that banks find the cardholder grossly negligent but the cardholder refuses to settle the outstanding amount, card issuers reserve the right to terminate the credit card services of the cardholder as well as pursue legal action to recover the amount.
- d) When informed of the unauthorised charges by their cardholders, card issuers should ensure appropriate investigations are carried out to determine responsibility and liability. Cardholders are required to provide the necessary information/documentation to assist in the investigations.
- e) The \$100 liability limit for unauthorised transactions also applies to all debit cards which function like credit cards, allowing cardholders to pay for purchases locally, overseas and online.

The above measures complement card issuers' current practices where investigations are conducted to determine liabilities for unauthorised charges, and fraud detection systems where card issuers alert customers to suspicious or high-risk transactions.

6) 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.)

Cardholders will not be liable for unauthorised transactions in the following situations provided the cardholder did not act fraudulently or with gross negligence:

- a) Cardholder's credit card was not stolen but card details were used for unauthorised transactions to make purchases over the telephone or the Internet;
- b) Unauthorised PIN-activated transactions.

7) 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 is 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 is also 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 will not do so.

8) 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 of 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).

9) Unsolicited Cards

Card issuers should be mindful of the reasons for distributing unsolicited cards to existing customers, e.g. to allow existing customers to 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 the customer how to dispose of the card if he/she does not wish to accept it.

10) Enquiries

Card issuers should have a dedicated hotline for customers to report loss of cards as well as to make enquiries regarding terms and conditions, fees and charges, and 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.

This hotline should operate 24 hours a day, 7 days a week. Banks have systems to monitor and verify every call to clarify any dispute that should arise subsequently on whether a cardholder had reported a loss or the timing of the notification.

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

11) Financial Industry Dispute Resolution Centre (FIDReC)

Card issuers should ensure that their staff are aware of the existence of the FIDReC and 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 FIDReC. Customers not satisfied with the outcome of the complaints handling process should be informed of the availability of dispute resolution by the FIDReC. Information on the FIDReC, e.g. telephone number and contact person, should be readily available to customers on request.

With effect from: 1 November 2009

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