

## MEDIA RELEASE

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FOR IMMEDIATE RELEASE

### **CREDIT CARD LIABILITY**

Singapore – The Association of Banks in Singapore (ABS) today issued a Media Statement in response to public comments on credit card liability following publication of the article "Thieves use her credit cards to charge \$17K" in The Straits Times on 13 July.

A credit card is a credit facility extended by a bank to a customer to facilitate purchases by the customer. There is a 3-way agreement between the bank, customer and the merchant concerned. The bank agrees to pay the merchant on behalf of the customer, and the customer agrees to pay the bank back. The credit card provides convenience for the customer as he/she does not need to carry large amounts of cash (with the associated risks). Credit cards also come with benefits that banks have negotiated for customers, such as discounts at certain merchants, restaurants or outlets. A credit card is therefore akin to cash, and should similarly be handled carefully. For the bank, a credit card is an unsecured credit facility. Therefore, both the customer and the bank have responsibilities.

Banks demonstrate their responsibility and due diligence in a number of ways. Banks have credit card fraud detection systems to monitor card usage on a real-time basis. Fraud analysts review suspicious transactions, and will contact customers to verify transactions and validate high risk/value transactions. And that was how the customer in the recent case discovered her credit card was missing. Although banks have call back procedures to customers to verify whether certain transactions are indeed made by the customer, sometimes the customer cannot be contacted, particularly if they are overseas. In some cases, the bank would then "block" the credit card as a safety measure and require the customer to validate that the transaction is genuine. These safety precautions have sometimes proved inconvenient to customers as, if the transaction is genuine, the customer has to go through a process before the purchase is authorised by the credit card company. Although merchants are to review the signature on the card and compare it to the customer's signature before allowing the purchase to go through, in practice it is easy to forge signatures. Banks would rather be safe, and in the customer's interests, the card may be "blocked". Hence, a variety of safety precautions and fraud detection procedures are implemented

by banks to ensure their customers are not defrauded when their credit card is used.

The customer demonstrates his/her responsibility by ensuring the credit card is kept safe, not leaving it carelessly in places where there is a risk it might be stolen or appropriated by someone else. If the customer leaves the card in a handbag in an unattended car where it might be stolen, then regretfully that is negligence. With most banks, card-members are liable for transactions effected before the bank is notified of the loss/theft of the card. This helps to avoid moral hazard in that if a customer suffered no loss even if he/she was negligent, there would be no incentive for customers to take precautions or notify banks as any loss will be borne by someone else. Where every reasonable precaution has been taken by the card-member, including immediately reporting the loss of a card to the card issuer and no negligence is involved, then the card-member is not liable for any purchases unless they were authorised by him/her.

As a credit card can be viewed as a surrogate for the customer's cash, made available by the customer's bank for his/her convenience, both parties must take responsibility for its use. The first and primary line of defence is the customer, who has custody and possession of the card. The customer should handle it carefully as if it were a cash equivalent. The bank also takes precautions to protect its customer and itself with various fraud monitoring and detection measures.

Nevertheless, ABS will continue to monitor this issue and keep abreast of market developments and customer concerns. Our objective is to encourage careful, prudent behaviour and precautions by customers and banks to prevent fraudsters taking advantage of customers and the banking system.

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**About The Association of Banks in Singapore:**

The Association of Banks in Singapore (ABS) plays an active role in promoting and representing the interests of the banking community in Singapore. In doing so, ABS works closely with the relevant government authorities towards the development of a sound financial system in Singapore. Since its establishment in 1973, ABS has promoted common understanding among its members and projected a unifying voice on banking issues. It has brought its members closer together through various guidelines and banking practices as well as the support of projects of mutual benefit to face the challenges of the financial and banking community in Singapore. Today, ABS has a membership of 118 local and foreign banks. Further information on ABS is available on the website: [www.abs.org.sg](http://www.abs.org.sg).