

Au Small Finance Bank Limited

Policy for Issuance & Conduct of Credit Card

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Version Control

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Introduction

As per the RBI guidelines on “Master Direction – Credit Card and Debit Card – Issuance and Conduct Directions, 2002” (Master Direction) dated April 21’2022 the Bank is required to have a Board approved Policy for issuance and conduct of credit cards.

This document lays down the Policy for Credit card Issuance and conduct in line with the abovementioned guidelines.

Eligibility

Customer’s eligible for issuance of the credit cards are outlined in the credit policy for credit cards.

Definitions

1. In this Policy, unless the context otherwise requires, the terms herein shall bear the meanings assigned to them below —
2. Add-on Credit Card means a supplementary credit card to the principal or primary credit card, issued to person/s with predefined relationship with the primary cardholder, within the credit limits and liability of the latter, subject to such terms and conditions as stipulated by the card-issuer.
3. Annual Percentage Rate is the annual cost of credit to the cardholder which includes interest rate.
4. Bank means AU Small Finance Bank.
5. Billing Cycle/Billing Period is the regular length of time between closing dates of two consecutive bills raised by the card-issuer.
6. Business Credit Cards are issued to business entities / individuals for the purpose of business expenses with specified terms and conditions and not for personal use.
7. Cardholders – A person to whom a card is issued or one who is authorized to use an issued card.
8. Card Loyalty/Reward Programme/s are those schemes linked to a credit card whereby the bank or associated merchant establishments, upon use of the card/s, offer digital coupons, points, discounts, cash backs or other benefits having monetary value that can be used/redeemed for the same transactions or other future transactions after accumulation.
9. Co-branded Card is a card that is issued jointly by the Bank and a co-branding entity bearing the names of both the partnering entities.
10. Convenience Fee is a fixed or pro-rata charge on use of credit/debit cards as one of the alternative forms of payment which is not ordinarily accepted vis-à-vis other forms of payment.
11. Corporate Credit Card is a credit card that is issued to specific employee/s of a corporate employer wherein the liability could rest with the corporate entity or the employee or jointly on both, as per the product design features.
12. Credit Card is a physical or virtual payment instrument containing a means of identification, issued with a pre-approved revolving credit limit, that can be used to purchase goods and services or draw cash advances, subject to prescribed terms and conditions.

13. Credit Limit is the maximum amount of revolving credit determined and notified to the cardholder to transact in the credit card account.
14. Form Factor is the physical or virtual instrument that can be used in place of a card to undertake a payment/banking transaction
15. Interest-Free Credit Period is the time period from the date of transaction to the due date of payment, wherein interest free payment can be made, subject to the payment of entire outstanding on or before the payment due date by the cardholder.
16. Minimum Amount Due is the minimum amount of money, as a part of the total bill amount, that a cardholder has to pay to not be treated as an overdue bill.
17. Most Important Terms and Conditions (MITC) are the standard set of conditions for the issuance and usage of credit cards, thereby defining the responsibilities and liabilities of the card-issuer and the cardholder.
18. Principal Cardholder means the customer who has been issued credit card by a card-issuer and on whose name the card account has been opened.
19. Unsolicited Credit Card is a credit card issued without a specific written/digital request or an application therefore.
 - a. Provided the issuance of a credit card for renewal or replacement shall not be treated as an unsolicited card.
 - b. Renewal contemplates the issuance of a new card on account of expiry of an existing card and replacement includes issuance of a new card in place of an existing card in lieu of the change in the underlying account relationship, upgradation due to new technology or systems or re-issuance of cards that have been lost, blocked or suspended temporarily, but does not include the opening of a new account after a previous account was closed.
20. Upgradation of Credit Card means enhancement in the benefits and features of credit cards issued, for example, an increase in the credit or cash limit of the card.

Governance Framework

Bank's Board will approve the Credit Card Issuance Policy. The Credit card issuance policy will be placed on the Banks website.

Bank shall place for review the credit card operations on half yearly basis to the Audit Committee of the Board (ACB). The review will include card usage and issuance analysis, customer service, frauds, complaints and grievance redressal, card not used for long durations, etc.

Issuance of Credit Cards

The issuance of credit cards will be in line with the Credit Policy of the Bank and the detailed process will be defined in the Standard Operating Procedures (SOP)

Broad areas that would be covered in the SOP are as below.

1. No unsolicited credit card or facilities on the credit card would be sent / offered to the cardholders. Credit cards will be sourced only through explicit consent from the customer.
2. No card will be upgraded without explicit consent from the customer.

3. One pager key fact sheet will be provided to the customer at the time of credit card application process covering rate of interests, quantum of charges etc.
4. Unsolicited loans or other credit facilities will not be offered to the credit cardholders without seeking explicit consent.
5. In case of rejection of a credit card application, the card-issuer shall convey in writing the specific reason/s which led to the rejection of the application.
6. The MITC as given in Chapter VI MITC will be provided to customers at various stages such as – During marketing, at the time of application, in the welcome kit, on billing statements, as and when the changes are being done. Contents of the MITC will be in line with the regulatory requirement.
7. The MITC and copy of the agreement signed between the Bank and cardholder will be sent to the registered email address of the cardholder or postal address as per the choice of the customer.
8. Bank may get into insurance tie-up with the third party providers. Explicit consent will be obtained from the cardholders for offering such insurance cover to them including inherent insurance coverage offered on credit card.
9. Only Active cards will be reported to the Credit Information Companies (CIC's)
10. Consent from the customer can be written or digital.
11. The telemarketers will comply with the TRAI guidelines and the representatives would call the customers only between 10:00 AM to 7:00 PM
12. Direct Sales Agent (DSA)/Direct Marketing Agent (DMA)/other agents shall remain limited to soliciting/sourcing/servicing the customer/ account.
13. All decision-making powers will be with the Bank.
14. Bank will ensure complete transparency in the conversion of credit card transactions to Equated Monthly Instalments (EMIs) by clearly indicating the principal, interest and upfront discount provided by the merchant/card-issuer (to make it no cost), prior to the conversion. The same will be separately indicated in the credit card bill/statement. EMI conversion with interest component shall not be camouflaged as zero-interest/no-cost EMI.
15. Bank has a separate credit policy outlining the underwriting standards which covers the below points:
 - a. Bank will ensure prudence while issuing credit cards and independently assess the credit risk while issuing cards to persons, taking into account independent financial means of applicants.
 - b. As holding several credit cards enhances the total credit available to any consumer, Bank will assess the credit limit for a credit card customer taking into consideration all the limits enjoyed by the cardholder from other entities based on self-declaration/credit information obtained from a Credit Information Company, as appropriate.
 - c. Bank will ensure that loans offered through credit cards are in compliance with the instructions on loans and advances issued by the Reserve Bank from time to time.
 - d. Bank will ensure that the credit limit as sanctioned and advised to the cardholder is not breached at any point in time without seeking explicit consent from the cardholder. The credit limit would include the overlimit offered to the customer up to 10% of the credit limit to make customer experience better.

The above points will be covered in the detailed SOP which will be approved by Credit Card Business Head, Credit Card Sales Head, Credit Card Product Head, Credit Card Operations, Compliance and Risk Head

Types of Cards

Based on the business requirement the Bank may issue various type of cards as outlined below:

1. **Individual Credit cards** are issued to the individual customer basis the due-diligence and credit appraisal of the customer
2. The **add-on cards** are issued only to the persons specifically identified by the principal cardholder under both personal and business credit card categories. Add-on cards shall be issued with the clear understanding that the liability will be that of the principal cardholder.
3. **Co-brand Card** is a card that is issued jointly by a card-issuer and a co-branding entity bearing the names of both the partnering entities.
4. **Corporate credit cards** are issued based on the due-diligence and credit assessment of the corporate, the responsibilities and liabilities of the corporate and its employees is clearly specified. The liability of the corporate/business entity shall form part of its assessed credits.
5. Card-issuers may issue **business credit cards** to business entities/individuals for business expenses. Corporate credit cards can be issued together with add-on cards wherever required.

NOTE: The liability of the corporate/business entity on account of business cards shall form part of their total assessed credits for compliance to instructions issued by the Reserve Bank on Exposure Norms as well as Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances

Product team will assess the requirement of various types of cards and the same will be approved by the Product Approval Committee (PAC) as per the extant process.

Card Closure

Credit cards can be closed due to various reasons – such as Customer induced closure, bank induced closure due to the conduct of the card, closure due to inactivity in the card etc.

Detailed SOP on card closure is in place. Any amendments to the same will be approved by Credit Card Business Head, Credit Card Product Head, Credit Card Operations Compliance Head & Risk Head

Important points to be covered in the SOP should include:

1. Customers should be provided with multiple channels to apply for card closure request which may include - dedicated helpline, dedicated email-id, website link, chatbot.
2. The closure request should be honoured within 7 working days, subject to payment of all dues.
3. If a credit card has not been used for a period of more than one year, the process to close the card shall be initiated after intimating the cardholder. If no reply is received from the cardholder within a period of 30 days, the card account shall be closed by the card-issuer, subject to payment of all dues by the cardholder. The information regarding the closure of card account shall also accordingly be updated with the Credit Information Company/ies within a period of 30 days.

4. Customer notification should be given subsequent to the closure of the card
5. Subsequent to closure of credit card account, any credit balance available in credit card accounts shall be transferred to the cardholder's bank account

Interest Rate and other Charges

Below is the extract for reference from RBI Master Direction dated 21st April'22:

(a) Card-issuers are directed to be guided by the instructions on interest rate on advances issued by the Reserve Bank as amended from time to time, while determining the interest rate on credit card dues. Interest charged on credit cards shall be justifiable having regard to the cost incurred and the extent of return that could be reasonably expected by the card-issuer. Card-issuers shall also prescribe an interest rate ceiling in line with other unsecured loans, including processing and other charges, in respect of credit cards as part of their Board approved policy. In case card-issuers charge interest rates which vary based on the payment/default history of the cardholder, there shall be transparency in levying such differential interest rates. The interest rates as prescribed in the board approved policy and the rationale for the same shall be auditable. The card-issuers shall publicise through their website and other means, the interest rates charged to various categories of customers. Card-issuers shall indicate upfront to the credit cardholder, the methodology of calculation of finance charges with illustrative examples, particularly in situations where only a part of the amount outstanding is paid by the customer.

1. Bank will quote Annualized Percentage Rates (APR) on credit cards for different situations such as retail purchases, balance transfer, cash advances, non-payment of minimum amount due, late payment etc., if different. Illustrative examples will be communicated to the customer through MITC
2. Interest charges per card variant are defined post benchmarking with Industry Credit Cards and customer segment to whom card will be issued.
3. Industry data and bank data are used to derive these charges; these include geography, Risk category, past customer behaviour, monthly/category spends behaviour and cost of funds.
4. There will not be any hidden charges while issuing credit cards free of charge.
5. Any change in the MITC or Schedule of charges are communicated 30 days in advance to Cardholders through Email, SMS, and monthly Credit Card Statements.
6. Illustrations on late payment charges and the calculation thereof will be communicated to the customer through MITC
7. Bank will inform the cardholders on the implications of paying only the minimum amount due. The same is included in the MITC
8. The interest free period is explained to the customer through MITC.
9. Bank will report a credit card account as 'past due' to credit information companies (CICs) or levy penal charges, viz. late payment charges and other related charges, if any, only when a credit card account remains 'past due' for more than three days. The number of 'days past due' and late payment charges shall, however, be computed from the payment due date mentioned in the credit card statement.
10. CIC reporting will be done as per the extant process defined by the bank.
11. 7-day notice period will be provided to cardholder about the intention to report him/her as defaulter to the Credit Information Company

12. In the event the customer settles his/her dues after having been reported as defaulter, the Bank will update the status within 30 days from the date of settlement
13. Penal interest, late payment charges and other related charges will be levied only on the outstanding amount after the due date and not on the total amount.
14. No charges will be levied on the transactions disputed as “fraud”
15. Any change in the charges will be done with prospective effect after giving 30 days’ notice to the customers.

Billing

1. Bank will provide a monthly billing statement to the customers. And track the same for delivery.
2. Cardholders will be given 30 days to raise disputes on the bills if any. Any dispute raised on the bill will be responded to within 30 days.
3. Bank will provide the cardholders a one-time option to modify the billing cycle of the credit card as per their convenience.
4. Any credit transactions that are received as refund/failed/reversed transaction will be adjusted with the outstanding amount if the payment is due for the customer.
5. In-cases where the payment has been made, Bank will seek explicit consent of the cardholder to adjust credit amount beyond, one percent of the credit limit or ₹5000, whichever is lower, arising out of refund / failed / reversed transactions. Notwithstanding the cut-off, if a cardholder makes a request to the card-issuer for reversal of the credit amount outstanding in the card account into his/her bank account, the card-issuer shall do it within three working days from the receipt of such request.

Customer Conduct

1. The Bank engages with the third-party service providers for collection / recovery agents’ services and also onboard DSA’s / DMA’s for servicing the customers.
2. Bank will ensure that the third-party service providers are on-boarded as per the outsourcing policy of the Bank.
3. Bank will ensure that the DSAs/DMA’s/recovery agents do not transfer or misuse any customer information during marketing of credit card products. This will be included in the outsourcing agreement.
4. In the matter of recovery of dues, Bank will ensure that they, as also their agents, adhere to the extant instructions on Fair Practices Code for lenders.
5. Currently the third-party recovery agents do not send any communication to the customer however if the same is being sent in future Bank will ensure that name, email-id, telephone number and address of the concerned senior officer of the bank will be mentioned on such communications.
6. Agreement between the third-party service provider and the bank would clearly state the provisions for customer confidentiality.
7. Such third party would refrain from the actions that would damage Banks integrity and reputation.

8. Bank and their agents will not resort to intimidation or harassment of any kind, either verbal or physical, against any person in their debt collection efforts, including acts intended to humiliate publicly or intrude upon the privacy of the credit cardholders' family members, referees, and friends, making threatening and anonymous calls or making false and misleading representations. This will be covered in the third-party agreement.
9. Recovery agents would be on-boarded in line with the extant RBI guidelines.
10. Random checks and mystery shopping will be conducted of such third-party service providers to ensure that their agents have been properly briefed and trained as to how to handle customers and are also aware of their responsibilities, particularly with regard to soliciting customers, hours for calling, privacy of customer information, conveying the correct terms and conditions of the product on offer.
11. Mis-selling cases will be handled with care in accordance with the extant SOP.

Co-branding arrangement

Bank may choose to engage with a partner / corporate for issuance of Co-branch Credit Cards.

1. The co-brand card as a product will be approved by the PAC
2. The co-brand card will explicitly indicate that the card has been issued under a co-branding arrangement. The co-branding partner shall not advertise/market the co-branded card as its own product. In all marketing/advertising material, the name of the card-issuer shall be clearly shown.
3. The co-branded card will prominently bear the branding of the card-issuer.
4. The information relating to revenue sharing between the Bank and the cobranding partner entity shall be indicated to the cardholder and also displayed on the website of the card-issuer
5. The selection of co-brand partner shall take into consideration various risks, including reputation risk associated with such an arrangement and put in place suitable risk mitigation measures.
6. The co-brand arrangement should be approved by the committee comprising of:
 - a. Head of Credit Cards
 - b. Chief Risk Officer
 - c. Chief Finance Officer
 - d. Chief Compliance Officer
 - e. InfoSec
 - f. Head of IT
7. Appropriate due-diligence needs to be conducted before on-boarding the co-brand partner. The due diligence should include but not be limited to the following:
 - a. Market Share of the partner should be more than 5%
 - b. If the partner is new to market, then the promotors should be well versed with the credit cards business
 - c. KYC of the partner as per the Banks KYC policy
 - d. There should not be any negative market news for the partner and its associates
 - e. No penalty should be levied to the partners by any LEA / Regulators
 - f. In cases where the proposed co-branding partner is a financial entity, it has obtained necessary approvals from its regulator for entering into the co-branding arrangement.
 - g. If there is any litigation case pending on the partner Head Legal opinion should be obtained

8. All co-brand partners should be onboarded in line with the extant Outsourcing policy of the bank.
9. The role of the co-branding partner entity under the tie-up arrangement shall be limited to marketing/distribution of the cards and providing access to the cardholder for the goods/services that are offered.
10. The co-branding partner shall not have access to information relating to transactions undertaken through the co-branded card. Post issuance of the card, the co-branding partner shall not be involved in any of the processes or the controls relating to the cobranded card except for being the initial point of contact in case of grievances.
11. Under a co-branding arrangement, the co-branding entity shall not be permitted to access any details of customer's accounts that may violate the card-issuer's secrecy obligations.

Redressal of Grievance

1. Bank has the customer grievance redressal policy in place to ensure effective management of customer grievances.
2. The grievance redressal mechanism is placed on the website and all the Bank Branches. The link for the same is also provided on the billing statement
3. The name, direct contact number, email-id and postal address of the designated grievance redressal officer of the card-issuer shall be mentioned on the credit card bills and account statements.
4. Effective training is being provided to the call centre staff on grievance redressal mechanism and procedures.
5. Escalation matrix is defined in the Grievance Redressal mechanism
6. System of acknowledging customers' complaints for follow up, such as complaint number/docket number, even if the complaints are received over phone is in place.

General Provisions

1. Bank will keep the records as per the record management policy.
2. The cardholder will be provided with a record of the transactions after he/she has completed it, immediately in the form of receipt or another form such as the bank statement/email/SMS.
3. Loss card will be blocked immediately once the customer informs the Bank
4. Detailed procedure to report loss of card and unauthorised use of PIN is provided to the customer. Various channels are available for the same are Mobile Banking, Net Banking, IVR (Phone Banking), Email and Chatbot.
5. Bank will immediately send a confirmation to the cardholder subsequent to the blocking of a card.
6. Any discounts, cashbacks, reward points, loyalty points or any other benefits offered by the Bank will be provided in a transparent manner including source of such benefits. The accounting process for the same shall be verifiable in the books of the card issuer. Detailed information regarding these benefits shall be displayed on the website of the card-issuer and a copy of the same shall also be provided to the cardholder.

7. For insurance cover provided with a card, bank will ensure that the relevant nomination details are recorded by the Insurance Company and the availability of insurance is included, along with other information, in every statement. The information shall also include the details regarding the insurance cover, name/address and telephone number of the Insurance Company which will handle the claims relating to the insurance cover
8. Appropriate agreement should be entered into between the cardholder and the customer
9. Card-holder term and conditions and the MITC will be made available in regional language.
10. Bank will not levy any charge that was not explicitly indicated to the cardholder at the time of issue of the card and without getting his/her explicit consent.
11. 30 days' notice will be provided to the customer prior to change in the T&C / MITC / Charge
12. Bank will not reveal any information relating to customers obtained at the time of opening the account or issuing the card to any other person or organization without obtaining their explicit consent, with regard to the purpose/s for which the information will be used and the organizations with whom the information will be shared. Further, in case where the customers give explicit consent for sharing the information with other agencies, card-issuers shall explicitly state and explain clearly to the customer the full meaning/implications of the disclosure clause. The information sought from customers shall not be of such nature which will violate the provisions of law relating to maintenance of secrecy in the transactions. The card-issuers shall be solely responsible for the correctness or otherwise of the data provided for the purpose.

Compliance with other instructions

Bank will comply with all related regulations / policies which may include but not limited to:

1. Customer Compensation Policy
2. Limited Liability of customer policy
3. Customer Grievance Policy
4. RBI Guidelines on Loans and Advances statutory restrictions
5. RBI Guidelines on Interest rate of Advances
6. RBI Guidelines on Income Recognition
7. KYC policy
8. Outsourcing Policy
9. Guidelines on issue of international card
10. Security issues and risk mitigation measures
11. Merchant discount Rates structure
12. Failed ATM transactions
13. FEMA guidelines for international transactions
14. Legal framework on data protection.
15. Data on Soil requirements

Penalty Provisions as per the Regulatory Guidelines

Below are some of the penalty provisions specifically mentioned in the Master Direction

1. In case, an unsolicited card is issued/existing card upgraded and activated without the explicit consent of the recipient and the latter is billed for the same, the Bank will have to reverse the charges forthwith and also pay a penalty without demur to the recipient

amounting to twice the value of the charges reversed. In addition, the person in whose name the card is issued can also approach the RBI Ombudsman who would determine the amount of compensation payable by the card-issuer to the recipient of the unsolicited card as per the provisions of the Ombudsman Scheme, i.e., for loss of complainant's time, expenses incurred, harassment and mental anguish suffered by him/her.

2. Failure on the part of the Bank to complete the process of card closure within seven working days shall result in a penalty of ₹500 per day of delay payable to the customer, till the closure of the account provided there is no outstanding in the account.
3. In case an unsolicited credit facility is extended without the written/explicit consent of the cardholder and the latter objects to the same, the Bank shall not only withdraw the facility, but also be liable to pay such penalty as may be considered appropriate by the RBI Ombudsman, if approached.
4. Bank shall be liable to compensate the complainant for the loss of his/her time, expenses, financial loss as well as for the harassment and mental anguish suffered by him/her for the fault of the card-issuer and where the grievance has not been redressed in time. If a complainant does not get satisfactory response from the card-issuer within a maximum period of one month from the date of lodging the complaint, he/she will have the option to approach the Office of the concerned RBI Ombudsman for redressal of his/her grievance/s.