

## RECENT CHANGES IN THE CREDIT CARD INDUSTRY

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### INTRODUCTION

Reserve Bank of India (“RBI”) has recently introduced changes/ issued clarifications (“Amendments”) in the credit card regime which will have significant effect on the relationship of card issuer, card network and other payment intermediaries (Fintech) such as the credit card billing platforms.

The major highlights of these Amendments are as follows:

- Card holders should have option to avail services from any card networks.
- Card Networks are restrained from engaging into arrangements which allow businesses to pay through credit cards to entities that do not otherwise can accept credit card payments.
- Co-branding Partner (“CBP”)/ Technology Service Provider (“TSP”) should not have access to the transaction data of the customers.
- Card issuers should put in place an effective mechanism to monitor end use of funds from business credit cards.

### AMENDMENTS

1 Press release on Restraining the Unauthorized Payment System by Payment Intermediaries

•RBI puts abeyance on arrangement of card networks that enables businesses to make card payments through certain intermediaries, to entities that do not accept card payments.

•No restriction on the normal usage of business credit cards

## Amendments to the Credit Card and Debit Card – Issuance and Conduct Directions, 2022

Some important amendments under these Directions are as follows:

- Card issuer to put in place effective mechanism to monitor end use of funds from business credit cards.
- In the case of business credit cards, the principal liability of payment of dues (which generally lies with principal cardholder) will be governed by the terms and conditions agreed upon.
- These Directions, as such, do not prescribe the card-issuers to provide insurance cover on debit and credit cards. However, if it is provided, card issuer should ensure that the insurance company records nomination details and availability of insurance and other information is included in every statement.
- In case of co-branded credit card, CBP / TSP should not have access to the transaction data of the customers.

RBI has issued the following directions to the card issuers in regard to their arrangement with the card network:

- The arrangement between card issuer and card network should not restrain the card issuer from availing the services of another card network.
- Card issuers should provide the choice of multiple card networks (i) to new customers at the time of issue and (ii) to existing cardholders at the time of renewal.

## RBI Circular on Arrangements with Card Networks for issue of Credit Cards

### IMPACT ANALYSIS

- Platforms providing for the credit card bill payment need to ensure that arrangement with the payment intermediary cannot be entered for providing bill payment to the end user other than merchant.
- Fintech companies acting as TSP can draw the transaction data of the card holder only in encrypted form, and display of the same is allowed only through the API.
- The scope of exclusive tie-up of the card issuers with the card network ended. Card issuer is required to have tie up with multiple card networks.

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