Protect The Credit Card Users

In the past few months, there has been an accelerated trend toward the use of plastic money. As a result, applications to banks for credit cards have soared and businesses now gladly accept credit cards to boost their sales.
Imagine life without credit cards if you are one of the people in Colombo who use credit cards for most transactions.
The fact is that, it is only 28 years since plastic money became an integral part of the financial system in developed nations. Today bank credit cards and the Golden Key credit card account for a sharply rising proportion of personal spending, and concern has been expressed by some organizations about the danger of excessive spending induced by easy credit which the cards have made available and which is likely to be relaxed further according to banking sources.



Plastic money on the rise. Where ever you go the 'card' does the job. Dinesh Weerakkody inspects the new phenomenon.

Growth

World wide there has been phenomenal growth of credit cards such as ‘Visa’ and ‘Master Card’ and of individual store cards classified as ‘Option Cards’ and ‘Budget Cards’.
Option cards operate with a minimum monthly payment but with credit up to an agreed limit, while budget cards operate by way of credit limit fixed according to the amount of a regular payment by the user. Therefore, the store credit cards now challenge the supremacy of the bank credit cards. This is an open question. Nevertheless it seems unlikely even though in the USA where over 500 million cards are in use, the largest issues are still the retail stores. Companies like Cargills, Keels and Aitken Spence should perhaps have their own company credit card to generate greater turnover.

Charge Card

The introduction of the term ‘Charge Card’ in place of credit cards in most retail stores in most Western countries complicated the understanding of the original “US” based ‘charge cards”. Charge cards are defined as ‘subscription cards”. Charge cards are credit cards only in the sense that they guarantee the credit worthiness of the holder, with settlement required by the issuer on a monthly basis, extended credit not being available.



Sri Lanka

With the increase in use of credit cards in Sri Lanka, it is time, we too introduce a set of rules (in the UK the Consumer Credit Act) that govern the issue and use of credit cards. The collapse of a few finance companies and HPT is still vivid in the memory of many poor depositors. Moreover, this would help to prevent the seemingly endless misery which so many of our people have been subjected to in recent times by financial institutions.

Recommendations

The card holders should be given a number of rights. Such as:-

1. They should be given the right to settle the agreement at any time by giving notice in writing and paying off all amounts payable under the agreement.
2. If they have obtained unsatisfactory goods and services under a transaction financed by this agreement they should have the right to sue the supplier, the bank or both.
3. If a contract is not fulfilled, perhaps because the supplier has gone out of business they should have a right to sue the bank.
4. A system of licensing for all consumer credit granters needs to be established. This system will help to regulate their commercial practices. Furthermore it will provide information so that they can make national decisions: about credit and how to seek remedies in the event of being dissatisfied.
5. Insurance protection for the bank and user should also be part of the agreement.



Fraud

In the UK great efforts have been made by the banks to reduce the possibility of fraud inherent in credit cards. Holograms have been incorporated into the cards, together with micro line printing and guiloche (fine line background designs) and alphanumeric codes which are unique to each bank. Another recent development was the move made by banks to add a strip containing fugitive ink over which the card holder must sign, so that if the card is tampered with it will show up on inspection. City bank also introduced the credit card with the photo of the holder. Nevertheless, the position remains extremely complicated. World wide, experiments into fraud resistant cards continue. In Sri Lanka it is time to move beyond the signature verification process to use of online verification.
In the final analysis, credit cards are currently fashionable. The motivation behind this activity (using credit cards) is complex, yet this activity can have an effect whose magnitude could be greater than that of almost any other commercial activity. Therefore, there is a definite need to implement policies, which will protect the consumer who chooses to use credit cards.



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