

MEDIA STATEMENT

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FOR IMMEDIATE RELEASE

BANKS IMPLEMENT NEW MEASURES TO LIMIT CREDIT CARDHOLDERS' LIABILITY

Measures aimed at providing clarity and giving cardholders more certainty about their credit card liability.

Singapore – The Association of Banks in Singapore (ABS) today announced new measures to limit credit cardholders' liability for unauthorised transactions. These measures complement banks' current practices where investigations are conducted to determine liabilities for unauthorised charges, and fraud detection systems where banks alert customers of suspicious or high risk transactions.

Generally, cardholders are diligent in safeguarding their credit cards and in reporting the loss or theft of their credit cards to the card issuing banks.

Although there have been cases where fraud took place due to the negligence of merchants, such cases are not widespread as there are already measures in place to curb such incidences making the merchants accountable for such oversight.

What's now

Currently, cardholders are liable for unauthorised transactions effected prior to the bank being notified of the loss/theft of the credit card. However, where investigations reveal that the cardholder has taken all reasonable precaution and is proven to be not party to any fraud, card issuing banks will usually waive the cardholder from liability for any fraud arising.

What's ahead

In providing clarity and giving cardholders more certainty about their credit card liability, card issuing banks will from Nov 1, 2009 put in place the following new measures to further limit credit cardholders' liability arising from fraud:

- 1) Prior to notification of credit card loss to card issuing banks, the maximum liability for cardholders due to unauthorised charges is \$100 provided the cardholder has not acted fraudulently or was not grossly negligent or has not otherwise failed to inform the card issuing bank as soon as reasonably practicable after becoming aware that his or her card has been lost or stolen. Card issuing banks 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.

- 2) Cardholders are liable for 100% of unauthorised charges or amounts up to his/her credit card limit whichever is lower, in case he or she was involved in fraud or 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.
- 3) In the event that banks find the cardholder grossly negligent but the cardholder refuses to settle the outstanding, card issuing banks reserve the right to terminate the credit card services of the cardholder as well as pursue litigation actions to recover the amount.

These new measures will be implemented on 1 November 2009 after card issuing banks have updated their terms and conditions on credit card usage and have given cardholders the requisite one month's notice of the changes.

Cardholders' continued co-operation

The Association of Banks in Singapore seeks cardholders' continued co-operation on the following:

- 1) As all card issuing banks have dedicated hotlines for cardholders to report loss or theft of their credit cards, cardholders are reminded to notify the affected bank immediately when they become aware that their cards or card information have been lost or stolen. These hotlines operate 24 hours a day, 7 days a week. Note that 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.
- 2) When informed of the unauthorised charges by their cardholders, the issuing banks would ensure appropriate investigation is carried out to determine responsibility and liability for the unauthorised charges. Cardholders are required to co-operate by providing the necessary information/documentation to assist in the investigation.

On-going practices

ABS also reiterates the following on-going practices where cardholders would not be deemed liable for unauthorised transactions:

- 1) Situations whereby the credit card was not stolen but card details were used for unauthorised transactions – provided the cardholder did not act fraudulently or

with gross negligence. This applies when cardholders make purchases over the telephone or on the internet.

- 2) Unauthorised PIN-activated transactions unless cardholders are found to have been grossly negligent or had acted fraudulently.

Merchants' liability for fraudulent transactions

Banks will continue to monitor merchants for fraudulent transactions. If fraud is due to the negligence of the merchant, the merchant acquiring bank will take appropriate action against the merchant.

Under the Merchant Agreement with the merchant acquiring bank, if the merchant believes there is a discrepancy in the signature, the merchant is required to contact the merchant acquiring bank for instructions before completing the transaction.

Currently, merchants are required to make basic checks such as signature and gender verifications to ensure that the credit card belongs to the legal customer. If the merchants feel that the customer is behaving suspiciously, they are required to ask for other forms of identification.

There were instances where banks held the merchants liable for fraudulent transactions due to the merchants' negligence. Please refer to Annex B for some examples.

Fraud Prevention is a Shared Responsibility

Preventing credit card fraud is the shared responsibility of the three parties involved: banks, customers and merchants.

- a) Banks, on their part, would continue to safeguard and protect cardholders' interests through robust fraud detection systems to monitor and detect unusual/suspicious card usages. All suspicious transactions are flagged on a real-time basis for review by fraud analysts who would then contact affected cardholders to validate high-risk or suspicious transactions. As an additional measure, banks are studying the practicality of introducing SMS to alert cardholders of transactions above pre-set threshold amounts.
- b) Cardholders are urged to continue to exercise care and diligence in safeguarding their credit cards, treating them as a fungible property like cash. As part of the Association's on-going consumer education program on banking products and services, ABS will collaborate with MoneySENSE and CASE in stepping up efforts to raise consumers' awareness on what they should do to safeguard their credit cards, including consumers' responsibility in preventing credit card fraud.

- c) Merchants too have a responsibility to see that transactions are made by the legitimate cardholder. This is by ensuring that their front-line staff carry out basic checks such as gender and signature verifications when processing payments. ABS will work with the Singapore Retailers Association to educate its members and their front-line employees on the need to be alert to card fraud and the importance of carrying out such basic or minimum checks.

Attachments:

Annex A: Examples where cardholders may be liable for unauthorised transactions
Annex B: Examples where merchants may be liable for fraudulent transactions
Annex C: ABS-MoneySENSE-CASE consumer advisory on safeguarding credit cards

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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

Annex A: Examples where cardholders may be liable for unauthorised transactions

- I) The following scenarios are examples where banks would deem cardholders not to be grossly negligent:
- a) Cardholder left his wallet (with his credit card) in the gym's locker. Someone broke into the locker, stole the wallet and used the credit card during the two hours that the cardholder was in the gym. The cardholder's maximum liability for unauthorised transactions concluded prior to such notification is \$100. If upon discovery of the theft, the cardholder failed to notify the card issuing bank immediately, he would be liable for all fraudulent charges up to his credit limit.
 - b) Cardholder went on a vacation and his house was burgled and his credit card stolen. His maximum liability for unauthorised transactions would be \$100 even if he returned some one month later to discover the break-in – provided he notified the bank immediately upon his return and had not acted fraudulently or with gross negligence.
 - c) Cardholder was a pick-pocket victim while overseas. When he discovered the theft, he immediately reported the matter to the local police and also called his family to report the theft of his credit card on his behalf. The stolen card was fraudulently used before the bank was notified. His maximum liability for unauthorised transactions would be \$100.
- II) The following scenarios are examples where banks consider cardholders to have acted with gross negligence:
- a) Cardholder wrote the PIN of his credit card on a piece of paper and placed it in his wallet. His wallet was stolen and the credit card was used for unauthorised withdrawals at ATM. Cardholder would be deemed grossly negligent in disclosing his PIN and hence liable for all the fraudulent withdrawals on his credit card.
 - b) Cardholder left his wallet unattended in his office shared with several other colleagues. Someone stole his credit card, used it and then returned the stolen card to his wallet without the cardholder realising it. Cardholder would be deemed grossly negligent by leaving the credit card unattended and hence liable for the unauthorised charge.

- III) The following scenarios are examples where banks consider cardholders to have acted fraudulently:
- a) Cardholder disputed a charge for \$740 incurred at a pub and claimed that his credit card was lost. However, investigations revealed that he was the one who had authorised the charge as gathered from CCTV footages. A few witnesses, including his friends and waiter, also confirmed that he had lost a bet with one of his friends for the 2 bottles of liquor charged to the credit card.
 - b) Recently, there were two separate incidents of cardholders disputing charges made on their credit card which they claimed were stolen in a foreign country. However, upon investigation, the cardholders admitted that they had actually signed under duress for drinks that were priced exorbitantly high at some cafés/pubs. Cardholders were made liable for the charges.

Annex B: Examples where merchants may be liable for fraudulent transactions

- a) A card was inadvertently left behind by the cardholder after paying for a purchase at a convenience store. The convenience store cashier passed the card to her boy friend who used it to buy several items from a jewellery store. When the store's sales staff tried to obtain approval for the total amount of over \$5000, the charge was rejected due to insufficient available credit. The culprit then asked to split the purchase into several smaller amounts and managed to obtain approvals for 3 transactions totaling \$3000. The merchant was held liable for his sales staff not following proper card acceptance procedures which forbid the "splitting of a sale for goods and services purchased at the same time".
- b) A stolen card was used to buy a watch costing \$2000 and the shop's sales staff did not make any effort to verify the signature. The stolen card was subsequently retained by another merchant and the bank was able to prove to the watch shop that there was major discrepancy in the signature. The watch shop was held liable for the charge.
- c) A male Chinese, wearing a face mask due to the H1N1 epidemic, bought 3 hand phones from a merchant using a credit card belonging to a Malay female. The stolen card was recovered and the signature was totally different from that signed by the male Chinese. The chargeback came in as unauthorised signature. Since the sales person did not check the card, the merchant was held liable to bear the chargeback loss of \$1,064.

Annex C: ABS-MoneySENSE-CASE Consumer Advisory

Safeguard Your Credit Cards ... Just Like Your Cash

Taking care of your credit cards is essential to protect yourself against credit card fraud. Even after banks introduce a cap on cardholders' liability with effect from 1 November 2009, you will need to continue to safeguard your credit cards.

The banks can still hold you liable for unauthorised transactions charged to your card if you have acted fraudulently, with gross negligence or failed to notify the card issuer as soon as you become aware that your card has been lost or stolen. This advisory highlights a few key steps you should take to safeguard your credit cards.

1. Treat your credit cards like cash. Keep them safe. Never leave your credit cards and documents containing your credit card information (e.g. card number, expiry date, PIN or password) carelessly in places where they may be stolen or appropriated by someone else.
2. Sign your cards with permanent ink as soon as they arrive.
3. Do not give your credit cards details (i.e. card number, expiry date) to unknown parties as the information can be used to make unauthorised charges. Memorise your PIN and password, and do not divulge these information to anyone.
4. Exercise care when using credit cards for telephone and online purchases. Have a credit card with a lower credit limit for these purposes. Do not perform online transactions in public places such as cybercafés. Patronise only reputable and legitimate online stores.
5. Keep your credit card sales slips, statements and other information about your credit card in a secure place. When discarding documents, shred them and ensure that confidential information relating to your credit card is destroyed. Do also destroy expired credit cards.
6. Keep a record of your card numbers, their expiration dates, and the phone number and address of the card issuers in a secure place.
7. Check your billing statements promptly when they arrive, especially after each overseas trip. If you notice any discrepancies, call the card issuer immediately.
8. Check regularly to ensure that your credit card is always in your possession.
9. Notify the card issuer immediately if your card or card information is stolen or lost. Take note of the date and time you notified the card issuer.

For more tips on what you should do to use your credit cards prudently, refer to the ABS-MoneySENSE guide "Credit Cards – What you should know" at www.abs.org.sg and www.moneysense.gov.sg