

FOR MORE INFORMATION



LOG ON TO

**[www.bankinginfo.com.my](http://www.bankinginfo.com.my)**

OR VISIT OUR KIOSK AT MOST BANKS

CARD TRANSACTIONS  
AND YOU

Charge Cards

A consumer education programme by:



**BANK NEGARA MALAYSIA**  
CENTRAL BANK OF MALAYSIA



**PERSATUAN BANK BANK DALAM MALAYSIA**  
THE ASSOCIATION OF BANKS IN MALAYSIA

## CONTENTS

1	Introduction
2	What is a charge card? How it works?
3	Comparison between charge cards and credit cards
4	Applying for a charge card
6	Accepting the terms and conditions (T&C)
7	Understanding the fees and charges
9	Shopping for a suitable charge card
11	Preventing charge card fraud
14	Reminder
15	Summary of comparison between credit and charge cards
16	Frequently asked questions
20	Glossary

### Disclaimer

This document is intended for your general information only. It does not contain exhaustive advice or information relating to the subject matter nor should it be used as a substitute for legal advice.

Date: 1 September 2006



Charge cards provide a  
**convenient and  
efficient way**  
to make purchases  
of goods and services

## Introduction

Like other payment cards, charge cards provide a convenient and efficient way to make purchases of goods and services. This booklet aims to provide you with some information on charge cards that you should know before applying or using a charge card.

The information in this booklet covers the following aspects; a comparison between a charge card and a credit card, basic requirements in applying for a charge card, accepting terms and conditions, understanding the fees and charges imposed, shopping for a suitable charge card, tips on preventing fraud and frequently asked questions.

## WHAT IS A CHARGE CARD?

A charge card is a payment card with a preset limit that can be used to make payments for goods and services at participating merchants either locally or internationally. It is a convenient payment instrument for shopping, dining, travelling, paying bills, etc. The usage of the charge card is similar to other payment cards such as credit and debit cards, i.e. you can use the charge card to make payments at merchants displaying the same charge card brand name as that on your charge card. In Malaysia, charge cards are issued based on conventional or Islamic principles. Examples of charge cards are American Express Card, Diners Club International Card and HSBC Amanah MasterCard.

## HOW IT WORKS

When making purchases, the merchant must swipe or insert your charge card into a terminal, in order to get an authorisation from the charge card issuer. Most merchants would require you to sign on the payment slip as a proof of your purchase, which would be compared against the specimen signature at the back of your charge card. You may not be required to sign on the payment slip when making transactions at unattended point-of-sale terminals such as self-service terminals at petrol pumps. For every purchase made, the charge card issuer will pay the merchant on your behalf and bill you later. The charge card issuer would send you a monthly statement giving you information on your charge card transactions such as details of your purchases, payment due date and penalty charges, if any.

For every purchase made, the **charge card issuer** will pay the merchant on your behalf and bill you later



## COMPARISON BETWEEN CHARGE CARDS AND CREDIT CARDS

While both charge cards and credit cards allow you to conduct cashless transactions, there are differences between these two types of payment cards. The main difference between charge cards and credit cards is on the required amount that is payable by the payment due date.

For charge cards, you must settle the outstanding balance in full by the payment due date and there will be no interest charged. However, a late payment charge will be imposed if you fail to do so. The late payment charge is usually between 3.0% to 3.5% per month (or 36% to 42% per annum) of the outstanding balance.

For Islamic charge cards, a compensation fee will be imposed up to a certain maximum amount allowed, normally RM70 per month. Issuers will usually cancel your charge card if you have defaulted on such repayments for a few months (period varies depending on the issuer's internal policy).

As for credit cards, you may settle your outstanding balance in full by the due date, or pay at least the minimum monthly repayment, which is usually 5% of the total outstanding balance. While credit cards offer you a flexible way of paying your credit card debt, it can be costly. Credit card issuers usually impose a finance charge of about 18% per annum for the balances that are unpaid and a late payment charge is imposed if you fail to pay at least the minimum monthly repayment by the due date.



There are some payment cards, which have the combination of credit card and charge card facilities. The charge card facility will be activated once the transaction value exceeds the credit limit provided for the credit card facility. Such amount that is over the credit limit will be required to be settled in full as per the terms and conditions of the charge card facility.

#### **APPLYING FOR A CHARGE CARD**

- Is a Charge Card Suitable for You?

If you are a person who normally pays your outstanding balance in full when due and you are looking for a convenient and easy payment instrument in managing your daily payments, a charge card would be suitable for you. Otherwise, you may wish to consider other payment cards such as debit cards and stored value cards (or electronic purses), where you can only spend up to the available balance in your account (for debit cards) or money loaded into your electronic purse.

- Eligibility

You would be eligible to apply for a charge card if you comply with the requirements set by the individual charge card issuer. The requirements usually include a minimum age of 21 years and a minimum income of RM18,000 per annum. However, some charge card issuers may impose more stringent requirements.

- Application

You may need to provide the following documents together with your application:

- Photocopy of your Identity Card or MyKad
- Previous months' bank statements (savings or current accounts)
- Previous months' salary slips
- Letter of employment/confirmation from employer
- For non-Malaysian residents, you need to provide a photocopy of your passport

– If you are self-employed, you need to provide your business registration documents or other documents as required by the charge card issuer

Charge card issuers require the above information to carry out a credit assessment on your application and to set an internal charge card limit on you if you are eligible. Authorised charge card issuers may also utilise the Central Credit Reference Information System (CCRIS) to verify the applicant's credit worthiness. The time taken to process each application would vary depending on the internal procedures of the charge card issuers.

- Supplementary Card

You may apply for a supplementary card for your spouse, family members or close friends. You need to refer to the charge card issuer's terms and conditions for further information on supplementary charge cards.

Charge card holders will be given an **internal charge card limit** by the card issuers upon approval of their applications

## ACCEPTING THE TERMS AND CONDITIONS (T&C)

If your application is successful, you will be given a charge card embossed with your name, card number, etc, together with the T&C for the use of the charge card. If you have not been given the T&C, you should request for a copy before accepting the charge card offered. You should read and fully understand the contents of the T&C, as it will be a binding agreement between you and the charge card issuer.

You should contact the charge card issuer directly if you have any query or need further clarification on the T&C. If you are not agreeable with the T&C, you may want to cancel the charge card facility by returning the charge card to the charge card issuer immediately. However, some charge card issuers may require you to provide a written notification on the cancellation of the card.

Generally, the T&C provides the following:

- Information on fees and charges
- Terms for payment
- Liability for unauthorised or fraudulent transactions
- Procedures for making complaints, disputes or enquiries on monthly billing statement
- Notification mode of any changes made to the T&C
- Rights and responsibilities of the charge cardholder
- Secrecy of information

## UNDERSTANDING THE FEES AND CHARGES

Fees and charges imposed on usage of charge cards may vary between charge card issuers. As such, it is important that you understand the various charges that may be imposed to assist you to choose the most suitable charge card that is being offered. The following are the common charges you may incur:

- **Joining Fee**

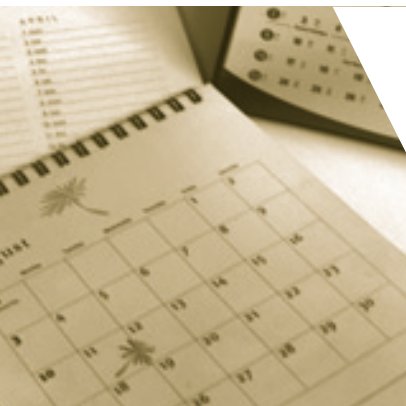
Charge card issuers may impose a one-time joining fee, which is also known as entrance or membership fee. You may need to pay the joining fee together with your first year annual fee. The fee may vary depending on the charge card issuers. However, some charge card issuers may waive the joining fee.

- **Annual Fee**

This is a fixed fee that may be imposed on you on an annual basis, even though you may not have used the charge card. The annual fee for principal cardholders (classic card) may range between RM80 to RM160 and RM40 to RM125 for supplementary charge cardholders. However, some charge card issuers may waive this fee for the first year as a promotion for new applicants.



**Understanding the fees and charges** may assist you to choose the most suitable charge card that is being offered



- Late Payment Charge

You will be subject to a late payment charge if you fail to make full repayment by the due date or make only partial repayment of the total amount outstanding. Depending on the charge card issuer, the late payment charge may range between 3.0% to 3.5% per month (or 36% to 42% per annum) of the total outstanding balance or a minimum charge ranging between RM15 to RM50, whichever is higher. Some charge card issuers may impose additional fees in addition to the late payment charges if you fail to make full payment by the second month onwards. As for the Islamic charge cards, you will be charged a compensation charge up to a certain maximum amount allowed, normally at RM70 per month.

- Cash Advance Fee

Some charge card issuers may also provide you with a cash advance facility. If you utilise the cash advance facility, you will be charged a cash advance fee, which is normally between 3% to 4% of the amount withdrawn per transaction or a minimum charge between RM15 to RM30, whichever is higher. The amount advanced would become payable in full by the next payment due date. Some limitations may also be imposed on the cash advance facility, such as the maximum withdrawal limit. For Islamic charge cards, the cash advance fee is a fixed amount, normally at RM15 per transaction.

You are advised to be aware of all the fees and charges that may be imposed on you as stipulated in the T&C. You should liaise directly with your charge card issuer for further information on fees and charges, if necessary.

## SHOPPING FOR A SUITABLE CHARGE CARD

You are advised to shop around for the charge card that is most suitable for you. Some of the factors you should consider are:

- Promotional Gifts and Special Offers

Charge card issuers may offer attractive promotional gifts for every approved application such as discmans, cameras, watches and luggage bags. There may also be competitions for cardholders, which offer luxury prizes to eligible cardholders who have transacted a certain minimum amount in purchases using his/her charge card. Charge card issuers may also offer you a very low introductory annual or joining fee or even waive them for the first year. It is important for you to read and understand the T&C related to the promotional gifts and special offers. Pay attention to the duration of the offer, conditions set and forfeitures for not complying with such conditions.

- Fees and Charges

There are various combinations of fees and charges charged for using charge cards. Charge card issuers may waive the joining and the annual fees but may charge you higher late payment charges. When comparing the fees and charges, you must compare them on the same basis such as using either per annum or per month, and over a longer period after considering any promotional or special rates.

Ensure that you fully  
**understand**  
the **terms** and  
**conditions**  
related to any  
promotional gifts  
and special offers

You may wish to consider choosing charge cards with **limited liability provisions**

- Interest Free Period

Charge card issuers offer an interest free period from the posting or statement date up to the due date. You should opt for charge cards that offer longer interest free period to settle your balances without incurring additional charges.

- Limited Liability

Charge card issuers may fix a limit on your liability up to a certain maximum amount for unauthorised transactions as a consequence of lost or stolen charge cards. They may hold you liable for all losses, or up to a certain maximum amount, prior to you giving them notification. Some charge card issuers may however not fix a limit on your liability for such unauthorised transactions, and thus, you may wish to consider choosing charge cards with limited liability provisions.

- Customer Service

You may also wish to consider the level of customer service provided by the charge card issuers prior to making an application to the institution.

### **PREVENTING CHARGE CARD FRAUD**

As in other payment instruments, there are risks involved in using charge cards. As a cardholder, it is your responsibility to safeguard your charge card. You may be held responsible for any transaction that is not authorised by you, if you do not comply with the T&C. You should therefore read the T&C carefully, in particular, on your rights and responsibilities. Pay attention to the required procedures in reporting lost or stolen charge cards and the consequences for not complying with the procedures.



As a charge cardholder, you can take several measures to minimise the risk of being a victim of fraud. Below are some measures that you may take to protect yourself against charge card fraud:

- Protecting Your Charge Card:
  - Sign on your charge card immediately after you receive it
  - Do not lend your charge card to anyone
  - Memorise your PIN number and do **not** write down your PIN number at the back of the charge card, keep it in your wallet or disclose it to anyone
  - Make sure you cut your expired charge card into two when you receive the new one



- When Initiating a Transaction:
  - Keep an eye on your charge card when making transactions and get it back as quickly as possible
  - Check all details on the payment slip before signing or confirming the transaction
  - When signing a payment slip, draw a line through any blank spaces above the total or circle the total payment
  - Do not sign blank payment slips
  - When ordering or making purchases by phone, never provide your charge card details such as card number and expiration date over the phone unless you are initiating the transaction with a known party
  - Do not provide your charge card details to an unknown party as they may use it to make purchases via telephone, mail or Internet

## Check all details on the payment slip before signing or confirming the transaction

- Monitoring and Checking Your Transactions:
  - Keep all your payment slips and check them against your monthly charge card statement as soon as you receive it
  - Notify your charge card issuer immediately of any error or unauthorised transactions in relation to your charge card and follow-up in writing as soon as possible
  - Destroy all your payment slips before you throw them away



Always be  
**prudent** in using your  
charge card and not  
spend beyond your means

- Preparing Yourself in Case Your Charge Card is Lost or Stolen:
  - Keep your charge card in the same place in your wallet so that you will notice immediately if it is lost or stolen
  - Keep the telephone number of your charge card issuer so that you can immediately report lost or stolen cards, unauthorised transactions or disclosure of PIN to a third party
  - Keep a record of your charge card account numbers and the expiration dates in a secure place and separate from your wallet

#### REMINDER

You should always be prudent in using your charge card and not spend beyond your means. Charge card fees and charges for unsettled balances can be very expensive. Most of all, the charge card issuer may take legal action against you for being a defaulter.

## SUMMARY OF COMPARISON BETWEEN CREDIT AND CHARGE CARDS

Some of the major features of credit and charge cards are shown below:

Feature	Credit Card	Charge Card
Credit Limit	Maximum limit provided to cardholder	Usually, the spending limit set by the card issuer is not made known to the cardholder, unless requested by the cardholder. However, a transaction value that exceeds the limit may be allowed, depending on certain internal conditions set by the card issuer
Minimum Payment	Minimum payment of 5% on monthly outstanding balance	Outstanding balance must be settled in full by due date
Joining Fee	One time payment. Fee varies between card issuers or waived	One time payment. Fee varies between card issuers or waived
Finance Charges	Maximum 18% per annum on outstanding balance	Not applicable as outstanding balance must be settled in full
Annual Fee	Normally between RM60 to RM90 for a classic card	Normally between RM80 to RM160 for a classic card
Late Payment Charge	Maximum 1% per month on outstanding balance or RM5, whichever is higher	Normally 3.0% to 3.5% per month (or 36% to 42% per annum) on outstanding balance or a fixed minimum amount, whichever is higher. Normally, Islamic charge cards have a fixed maximum amount of RM70 per month
Cash Advance Fee	Normally 3% to 5% of total cash advance, in addition to finance charges	Normally 3% to 4% depending on the card issuer. Some card issuers do not provide cash advance facility. For Islamic charge cards, a fixed fee is normally charged up to RM15

## FREQUENTLY ASKED QUESTIONS

### **What are other types of payment cards available in Malaysia?**

Besides charge cards, other payment cards are credit card, debit card and stored value card.

A debit card is a payment card where the transaction amount is deducted immediately from your savings and/or current accounts, upon authorisation. This facility is also available in the Bankcard issued by most local banking institutions. There are also international debit cards such as VISA Electron and MasterCard Electronic, which can be used at merchants wherever their logos are displayed.

Stored value card (SVC) is a prepaid card, which contains value that has been pre-loaded by the card issuer. Some SVC schemes may allow the cardholder to reload the amount in the card and the value will be automatically deducted from the amount stored in the card, whenever purchases are made. The most common SVC available in Malaysia are MEPS Cash, a bank-wide e-purse scheme which is available in the Bankcard issued by local banking institutions and the Touch 'n Go, which is widely used for toll and parking payments.

### **Can anyone be eligible for a supplementary card?**

It is up to the principal cardholder to nominate his/her supplementary cardholders depending on the T&C of the charge card issuer.

**As a supplementary cardholder, will I get a monthly statement?**

Normally, the information on charge card transactions by principal cardholders and supplementary cardholders will be included in the same monthly statement and sent to principal cardholders only. Depending on their internal policy, charge card issuers may provide separate monthly statements to the principal and supplementary cardholders.

**I made a payment using my charge card, but I am not satisfied with the goods purchased. What should I do?**

Charge card provides convenience to you for making payments only. You must know and comply with the conditions stipulated by the merchants when making purchases of goods and services offered, such as their policy on return of goods. Charge card issuers will not be responsible for any defects on the merchandise or services purchased or paid using the charge cards. The existence of a claim or dispute between a merchant and a cardholder will not entitle the cardholder to withhold his payment.

**Who is responsible for the payment of the purchases made on the supplementary card?**

The principal cardholder is held primarily responsible for the transactions made by the supplementary cardholder and also his/her own transactions. However, you should check the T&C on whether the supplementary cardholder would also be held liable for the charge card debt.

**Do I have to pay additional cost to the merchant if I use my charge card in making purchases?**

There should not be any additional cost for using the charge card to make purchases. If you are being charged by the merchant, you may wish to contact your charge card issuer for clarification.

**How is the exchange rate determined when I make purchases overseas?**

The amount of transactions made overseas in foreign currencies will be converted into Ringgit Malaysia using the exchange rate established by the charge card payment schemes (e.g. American Express, Diners Club International and MasterCard International) plus conversion commission or administrative charges. The conversion of currencies is done automatically when merchants post the transactions to their acquiring banks for claims.

**Will I be liable for the fraudulent charges if my charge card has been stolen or lost?**

You must always take precautionary measures to protect your charge card. Some charge card issuers may require you to provide a written notification and/or a police report to them in the event of a lost or stolen charge card. On the other hand, if there is an unauthorised use of your charge card before the report is made, you may be held liable up to a certain amount, depending on the T&C of the charge card issuer.

## Is it necessary for me to monitor my charge card statements?

Yes, it is important to check your charge card statements for any discrepancies or unauthorised transactions. Taking a few minutes to review the information in your charge card statement is an easy and effective way to detect unauthorised use of your charge card.

## What should I do if I find errors in my charge card statement?

You should notify your charge card issuer immediately of any error in the monthly statement or possible unauthorised transactions in relation to your charge card verbally, and to follow-up in writing as soon as possible.

For charge card issuers that are banking institutions, information on the contact persons or e-mail addresses are available on Bank Negara Malaysia's website at [www.bnm.gov.my](http://www.bnm.gov.my). In addition, for unauthorised transactions, if you are not satisfied with the response given by your banking institution, you can also write to the Financial Mediation Bureau:

The Mediator  
The Financial Mediation Bureau  
Level 25, Dataran Kewangan Darul Takaful  
Jalan Sultan Sulaiman  
50000 Kuala Lumpur  
Tel: 03-2272 2811  
Fax: 03-2274 5732  
Website: [www.fmb.org.my](http://www.fmb.org.my)

For more information on how to make a complaint against banking institutions, please refer to the BankingInfo booklet on "Making a Banking Complaint"

## **GLOSSARY**

### **Charge Card Issuer**

An institution that is authorised to issue charge cards either under a common brand or its own brand name.

### **Charge Card Payment Scheme**

An institution or association (e.g. American Express, Diners Club International and MasterCard International) that provides the necessary charge card infrastructure that facilitates authorisation and settlement of charge card transactions.

### **Fraudulent Transaction**

A transaction that is not authorised by the cardholder. Such transactions may occur as consequences of charge cards that are lost, stolen, not received, issued on a fraudulent application, counterfeit or other fraudulent conditions as defined by the charge card issuer.

### **Merchant**

Any business entity that accepts charge cards as one of the payment modes for the purchase of its products and/or services.

