NRB Unified Directives for Class A, B and C Licensed Institutions

Directive 20

Language mode: En

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SOURCE-GAP REFERENCE - NOT A COMPLETE DIRECTIVE

Circular No. 14 (A/B/C), FY 2082/83: Accessibility rewrite recorded; exact circular wording not reproduced.

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Controlled English translation

Provisions Relating to Financial Consumer Protection and Financial Literacy

Preamble

Controlled English translation

Considering the need to inform the public about services provided by Class “A”, “B” and “C” banks and financial institutions licensed by this Bank, to ensure transparent charging of fees for such services, and to enhance financial literacy through banks and financial institutions, the following directives on financial consumer protection and financial literacy are issued in exercise of the authority conferred by Section 79 of the Nepal Rastra Bank Act, 2058.

1 Transparency

Controlled English translation

A licensed institution shall publicly disclose all material information relating to services provided to customers. Information shall clearly cover services and instruments, fees, commissions, interest rates, penalties, charges for delayed payment, account closure/renewal procedures, cards and electronic instruments, associated risks and precautions to be taken by the customer.
(a) Information on financial services, all types of accounts and credit, and financial instruments shall be made available so as to support sound financial decisions.
(b) Written information in simple and clear language shall at least cover account types, basis of charges, procedures for banking instruments, account closure/renewal, method of interest calculation, prepayment charges, consequences of non-payment on time, late fees/penalties, electronic-card procedures and customer precautions.
(c) Customers shall be able to obtain information relating to their transactions free of charge.
(d) Lending and deposit interest rates shall be clearly displayed in Internet Banking and Mobile Applications.
(e) When a transaction is entered in the Core Banking System, the narration shall clearly describe the transaction; alpha-numeric codes alone shall not be used for this purpose.
(f) Details of fees and interest rates charged to customers shall be published on the institution’s website in accordance with Directive No. 15.

2 Use of Plain Language

Controlled English translation

(a) Information or notices relating to services made available to customers shall use simple and clear language.
(b) Documents used in transactions with customers shall be made available in Nepali. Documents relating to international transactions may also be prepared in English as necessary.

3 Information-Disclosure Requirements

Controlled English translation

(a) Information disseminated by the institution shall be easy for the general public/customer to understand and read.
(b) No advertisement that may mislead the public shall be made.
(c) Information requested under the Right to Information Act, 2064 shall be provided, records of requests maintained, and the information required by the Act updated and published every three months.
(d) Information Officers shall be designated at the head office and relevant branch/provincial offices in accordance with the Right to Information Act and their details made public.

4 Accessible / Easy Banking

Controlled English translation

Banks and financial institutions shall give special priority to senior citizens, persons with disabilities and illiterate persons and provide easy banking facilities through designated special counters. In a Local Level where the institution has five or more branches, at least one branch, and where ATMs are operated, at least one ATM, shall be made accessible to persons with disabilities.
Financial services such as ATM, Mobile Banking and Internet Banking shall be made available to persons with disabilities in a manner ensuring that the person can independently use the service.

5 Changes in Fees and Other Terms

Controlled English translation

Where fees, interest rates or terms stated in an agreement for a financial service change, the licensed institution shall inform the concerned customer. Where public notice is required, a national-level institution shall publish through a national daily and a regional-level institution through a regional/district-level newspaper.

6 Charges for Account Operation and Closure

Controlled English translation

(a) Charges for account opening, cheque issuance (including Good for Payment cheques), Stop Payment, balance certification, account operation/closure, statements, special deposits and e-banking services shall not exceed the minimum/actual cost permitted by the source.
(b) No fee shall be charged to reactivate a dormant account.
(c) An account balance shall not be reduced merely because it falls below the minimum balance; prescribed interest shall also be provided on the minimum-balance amount.
(d) Customers shall be informed in advance of charges for services other than those stated above.
(e) For an electronic card issued in Nepali currency, no renewal charge shall be collected until the card’s validity expires, apart from the initial issuance charge.

7 Cheque Payment

Controlled English translation

(a) Where a cheque, bill, pay order or other financial instrument is deposited into an account, the amount shall not be credited before completion of Clearing. Any applicable charge shall be disclosed in advance and debited only from the customer’s account.
(b) Where a customer presents a cheque for deposit and sufficient funds exist in the relevant account, no fee or amount

shall be charged to the presenting customer merely because the cheque cannot be credited for another reason.
(c) Where a cheque presented for payment is not paid despite sufficient balance, the applicable cheque-dishonour/blacklisting provisions of the Unified Directives shall be followed and the customer informed in writing.

8 Service Charges

Controlled English translation

Banks and financial institutions may charge administrative service fees, prepayment charges and commitment fees when extending credit, subject to the following provisions.

However, no fee of any kind shall be charged when credit is extended against the institution's own fixed-deposit receipt.

(a) The Credit Policy Guidelines and any type of Product Paper shall clearly state the provisions relating to administrative service fees, prepayment charges and commitment fees.

(b) No fee other than the service fee, prepayment charge and commitment fee charged when extending credit shall be collected. All costs relating to the credit shall be reflected in the interest rate.

(A) Class "A", "B" and "C" licensed banks and financial institutions may, when approving credit, charge service fees of not more than 0.75 percent, 1.00 percent and 1.25 percent respectively.

However, in the case of a commitment fee and the renewal fee charged on renewable credit, nothing in this provision shall prevent charging up to 20 percent of the above service fee and, as follows, a prepayment charge or a loan-swap charge where the borrower changes banks:

(a) Prepayment charge: where credit is prepaid within two years after disbursement, up to 100 percent of the service fee referred to in paragraph (A); where the credit is repaid between two and five years, up to 50 percent of that service fee; and where it is repaid after five years, up to 20 percent of that service fee.

(b) Loan-swap charge: where the borrower changes banks within two years after disbursement, up to 100 percent of the service fee referred to in paragraph (A) on the outstanding amount; where the borrower changes banks between two and five years, up to 50 percent; and where the borrower changes banks after five years, up to 20 percent.

(c) In the case of credit extended at a fixed interest rate, where the credit is prepaid or swapped within two years after disbursement, and in the case of project credit extended with a grace period, where the credit is prepaid or swapped within two years after the project comes into operation, nothing in this provision shall prevent charging, in addition to the charge referred to in paragraph (a), an additional prepayment charge or loan-swap charge of 1 percent.

(B) In the case of term credit extended at a fixed interest rate, with the borrower's consent, a prepayment charge or swap charge equal to 100 percent of the service fee referred to in paragraph (A) may be charged as stated in the credit approval letter.

(C) A service fee exceeding 0.50 percent shall not be charged when extending deprived-sector credit to a microfinance financial institution.

(D) Where a credit limit is increased, a service fee may be charged only on the increased amount and only within the prescribed limit. For medium- and long-term credit repayable in instalments, no fee shall be charged during the credit period under any heading such as Review Charge.

(E) Where a fee is collected under any heading other than those stated above, or above the prescribed limit, the amount of such fee plus an additional 10 percent shall be credited to the customer's account.

(c) The credit agreement shall clearly state the rates, procedures and calculation methods relating to the administrative service fee, prepayment charge and commitment fee charged when extending credit.

(d) When a bank or financial institution extends the same type of credit, the difference among the administrative service fee, prepayment charge and commitment fee charged to different customers shall not exceed 0.25 percentage point.

(e) An administrative service fee may be charged when the credit-approval process commences after a customer submits a credit application. However, where the credit is rejected, that fee shall be refunded to the customer's account.

(f) Where a licensed institution causes its customer to obtain a service through another institution/body, it shall not collect from the customer a service fee exceeding the cost payable to that institution/body for the service.

For example, the fee collected for obtaining credit information, listing a customer on the blacklist or removing the customer from the blacklist shall not exceed the fee charged by the Credit Information Centre. Likewise, charges for collateral valuation, insurance and other third-party services shall not exceed the amount charged by the service provider.

However, for cheque-clearing transactions through electronic means involving a cheque amount of less than NPR 200,000, the concerned bank or financial institution shall not charge its customer any fee.

(g) Where a customer uses, on an annual average basis, less than 60 percent of the approved credit limit, a commitment fee at a specified rate may be charged only on the shortfall (for example, where only 35 percent is used on average, the commitment fee may be charged only on the unused 25 percent). Such fee shall not be collected in advance. In the case of term credit, where the approved credit limit is underutilised, a commitment fee may be charged once only on the unused amount.

(h) No prepayment charge shall apply when repaying any type of credit within a limit of NPR 5 million. For credit above that limit, where the borrower repays the credit to another bank or financial institution because a condition or interest rate specified when the credit was taken has been added to or changed, no fee shall be charged for such prepayment.

(i) In the case of project credit, where the bank unilaterally adds to or changes the interest rate or other terms stated in the agreement entered into when the credit was taken without the borrower's consent, and the borrower wishes to repay the credit early for that reason, no fee of any kind shall be charged for such prepayment.

9 Grievance Handling

Controlled English translation

(a) The concerned bank or financial institution shall be responsible for resolving complaints/grievances received from customers and shall maintain a separate facility for complaint handling.
(b) A "Information and Grievance Hearing Desk" shall be established for convenient customer access, and a senior manager or higher officer designated as the grievance officer. The officer's name, designation, telephone, mobile number and email shall appear prominently on the website.
(c) A hotline shall also be maintained for consumer grievance handling.
(d) The institution's website shall contain a link to Nepal Rastra Bank's grievance portal, gunaso.nrb.org.np.
(e) A policy on customer grievance handling shall be prepared and implemented, with a prominent website link and information on the level responsible for resolving complaints.
(f) Statistics on complaints received and resolved shall be sent each quarter in the format of Schedule 20.1 to cpreporting@nrb.org.np; the status of complaints and resolution shall also be submitted half-yearly within 15 days to the concerned department and disclosed in the annual report.

10 Financial Literacy

Controlled English translation

(a) Financial-literacy programmes shall be mandatorily included in the institution's programmes.
(b) Arrangements shall be made to inform the public about the financial services and facilities provided.
(c) Priority shall be given to advertisements and information that enhance financial literacy and strengthen the financial system.
(d) The Financial Literacy Guidelines, 2079 issued by Nepal Rastra Bank shall be implemented and the statement prescribed in Schedule 3 of those Guidelines submitted.

11 Confidentiality and Data Protection

Controlled English translation

(a) In carrying out financial transactions with customers, confidentiality of customers' business information shall be maintained. Names, addresses, account information, transactions and other information that should not be disclosed to unrelated/unauthorised persons shall be protected.
(b) Nothing in this provision prevents disclosure to an authority or institution legally entitled to receive the information.

12 24x7 Call Centre / Audio Notice Board

Controlled English translation

Banks and financial institutions shall also make information relating to customer services available through a 24x7 Call Centre or Audio Notice Board. No fee shall be charged to customers for such service.

13 Website

Controlled English translation

A bank or financial institution shall mandatorily maintain its own website. Materials made public through the website shall also be made available in Nepali.

14 Third-Party Charges on Long-Term Credit

Controlled English translation

For term credit with a repayment period exceeding one year, after disbursement no charge shall be collected other than charges payable to a third party.

15 No Service without Customer Consent

Controlled English translation

A bank or financial institution shall not unilaterally provide any financial service or charge a fee without the customer's consent. If a fee is charged for a service provided without consent, the fee shall be refunded to the customer's account together with an additional 10 percent.

16 Verification of Bank Guarantees

Controlled English translation

A licensed bank or financial institution shall make arrangements so that a Bank Guarantee issued by it can be verified through its website/portal.

17 Repeal and Saving

Controlled English translation

(1) Directive No. 20/081 of the Unified Directives, 2081 relating to service charges and all circulars relating to the same subject issued thereafter up to Magh 2, 2082 are repealed.
(2) Acts and actions taken pursuant to the directives and circulars repealed under sub-clause (1) shall be deemed to have been taken pursuant to this Directive.

Schedules 20.1: Statement Relating to Resolution of Complaints/Grievances Received by Bank/Financial Institution

Source Image: image169.png

Controlled English translation

1. S.N.

2. Description of Complaint/Grievance

3. Total Number

4. Number Resolved

5. Number Pending

Human Review Required: True

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