

## **CODE OF BEST PRACTICES ON CONSUMER CREDIT AND CHARGING**

### **A. About this Code**

1. This Code has been prepared jointly by the Bahrain Association of Banks (“BAB”) and the Central Bank of Bahrain (“Central Bank”). It sets out minimum standards for retail banks and financing companies (thereafter referred “licensees”) to follow when providing credit and other services on which fees and/or interest (profit margin in case of Shari’a compliant financing) are payable by consumers in the Kingdom of Bahrain. The Code was later amended by the Central Bank to be in line with the new changes introduced into its Rulebook.
2. This Code will apply whenever Future Bank provides to a consumer:
  - Loans, overdrafts, etc.
  - Any other type of financial product creating a creditor – debtor relationship (including Shari’a compliant credit facilities of all types).
  - Any other financial service for which Future Bank charges a fee.
3. It is mandatory for Future Bank and its employee to adhere to this code. Consumers are encouraged to inform the Central Bank where they believe there has been non-compliance with the Code.

### **B. Principal Commitments**

Future Bank will act fairly, responsibly and reasonably in their dealings with their customers

The four overriding principal commitments of Future Bank are:

- that all advertising and promotional literature relating to consumer loans, credit and charging is clear and not misleading in any way.
- give clear information and provide clear documentation about products and services they offer, including the application procedures, terms & conditions, interest/profit rates and breakdown of charges that apply.
- provide customers with regular statements, at least every six months. Any changes to interest/profit rates, charges or terms and conditions should be intimated in writing (i.e., by letter or electronically) prior to the change. It is the duty of the consumer to inform Future Bank of changes in contact address immediately.
- the Bank will deal sympathetically with cases of genuine financial difficulty and treat all customer personal information as private and confidential.

### **C. Helping the Customer Choose a Product which Meets their Needs**

For each new (or potentially new) customer, Future Bank will:

- Give transparent and factual information on the key features and benefits of the product(s) the customer is interested in.
- Advise customers on the various delivery channels of products (e.g. through the internet, over the phone, in different branches, etc.) and tell customers how they can find out more about such products.
- Once a product is selected by a customer, the licensee will inform the customer of applicable details and the criteria for provision of such a product.

### **D. Annual Percentage Rate (APR)**

1. Future Bank will inform consumers about the APR at any time they: (i) are contemplating buying a product or (ii) ask how and where they can find information about charges. Such information can be provided by:
  - looking at the notices in the branch (or branches);
  - looking on the website, and/or
  - explanation from staff
2. The Bank will provide consumers with written information about the APR that apply to their credit facility when including when payable. They must also notify them of any changes. Shari'a compliant institutions must provide consumers with written information on APR on equivalent forms of charging (such as "profit rates" etc.), and references to obligations concerning "interest/profit rates" in this Code shall be construed accordingly.
3. The Bank will give a full explanation of how the APR is calculated.
4. The Bank will publicize in branches, on websites and in their schedule of charges the APR and bring this to the attention of new customers.
5. The Bank will inform consumers of any changes to APR rates in an effective manner before they take effect.
6. When APR changes, the Bank will update this information on their websites within thirty calendar days prior to the change taking effect. The Bank will also advise the old rate so that customers can compare how the new rate has changed.

**The Bank would refer to the definition of "APR" in Paragraph BC-4.3.10 of Module BC (Business and Market Conduct) in Volume 1 of the CBB Rulebook.**

### **E. Lending/ Financing**

1. Before the Bank provides any form of financing, it must assess whether the customer will be able to repay, given its knowledge of the customer's current circumstances.
2. If an overdraft (or any other type of facility) is repayable "on demand", the Bank will make this clear to the customer.
3. The Bank will comply with Central Bank rules on consumer finance in Module CM.

## **F. Charges**

1. Customers must be given details of any charges that apply (or may apply) to the product or service they are intending to purchase, including:
  - Administration fees.
  - Pre-payment charges.
  - Late payment charges.
  - Insurance
2. Customers must also be given information on where to find out about charges, for example:
  - phoning the helpline;
  - looking at the website, and/or
  - asking staff
3. If the contract gives the licensee power to vary fees or charges, the amount or timing of payments, the interest/profit rate or the way interest/profit is calculated, and the licensee decides to exercise that power, the customer must be provided with full particulars of the change, including an updated schedule of the total interest/profit payments and principal repayment for the remaining term of the credit facility, at least thirty calendar days prior to the date the change takes effect. Such notice is to enable the customer to decide whether to accept the new terms or terminate the agreement by settling the outstanding amount of the facility.
4. The Bank will advise customers of any charges both before a product or service is provided and at any time the customer asks.
5. The Bank will ensure that all charges are justifiable for the service and products provided to customers.
6. The Bank will display various service charges in their website.

## **G. Financial Difficulties**

1. The Bank will endeavour to discuss financial difficulties with their customers before taking legal proceedings.
2. Where possible, the Bank will consider alternative arrangements to enable customers to overcome their repayment difficulties.
3. The Bank will provide customers with at least a minimal level of counseling on debt problems.

## **H. Complaints**

1. The Bank has in place a formal customer complaints procedures which has been displayed in the Banks Website. The customers could obtain further details of the procedure from the Compliance Manager, Mr. Jalil Shehabi at 17505027.
2. The Bank will inform customers of the complaints procedures and should provide a written leaflet outlining the procedures.
3. The Bank will provide acknowledgement in writing customer complaints received in writing within 5 working days of receipt.
4. Within 4 weeks of written acknowledgement to the customer, the bank will respond in writing explaining their position and how they propose to deal with the complaint.

5. If a customer is not satisfied with the Bank's response, the Bank will advise the customer on how to take the complaint further within the organisation.
6. In the event that they are unable to resolve a complaint, the Bank will outline the options that are open to that customer to pursue the matter further, including, where appropriate, referring the matter to the Compliance Directorate at the Central Bank.

## **I. Monitoring**

1. The customer complaints officer (who may be the same person as the Compliance Officer) should also monitor the licensee's adherence to this Code.
2. The Compliance Officer will report on the Bank's adherence to the Code.
3. The Bank will implement this Code and ensure that their staff are fully familiar with it.
4. Copies of the Code will be made available to customers and notices will be displayed in all branches and on websites explaining that copies of the Code are available.
5. The Central Bank will also display a copy of this Code on its own website.
6. In the event of conflict between the requirements of this Code and the provisions of the Central Bank Rulebook, the latter shall prevail.