SUPPLEMENTARY INFORMATION
APPENDIX CM-2
CODE OF BEST PRACTICE ON CONSUMER CREDIT AND CHARGING

Code of Best Practice on Consumer Credit and Charging

History

Change Date	Description of changes
July 2007	Initial Launch
October 2012	Changes made to be in line with Module BC

Code of Best Practice 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 applies where any Central Bank licensee 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 a Central Bank licensee charges a fee.

3. Adherence to this Code is mandatory for all Central Bank licensees. Consumers are encouraged to inform the Central Bank where they believe there has been non-compliance with the Code.

B. Principal Commitments

The overriding duty of all Central Bank licensees is to act fairly, responsibly and reasonably in their dealings with consumers.

The four overriding principal commitments are:

- Licensees should make sure that all advertising and promotional literature relating to consumer loans, credit and charging is clear and not misleading in any way.
- Licensees should 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.
- Licensees should provide their 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 the bank of changes in contact address immediately.

- Licensees should 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, licensees should:

- 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. Licensees must 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. Licensees must 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. A licensee must give a full explanation of how the APR is calculated.

4. Licensees must publicise in branches, on websites and in their schedule of charges the APR and bring this to the attention of new customers.

5. Licensees must inform consumers of any changes to APR rates in an effective manner before they take effect.

6. When APR changes, licensees must update this information on their websites within thirty calendar days prior to the change taking effect. Licensees must also advise the old rate so that customers can compare how the new rate has changed.

Licensees should 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 a licensee 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", licensees should make this clear to the customer.

3. Licensees should 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. Licensees should advise customers of any charges both before a product or service is provided and at any time the customer asks.

5. Licensees should ensure that all charges are justifiable for the service and products provided to customers.

6. Licensees that have web sites should publicise their charges on their site.

G. Financial Difficulties

1. Licensees should always endeavour to discuss financial difficulties with their customers before taking legal proceedings.

2. Where possible, licensees should consider alternative arrangements to enable customers to overcome their repayment difficulties.

3. Licensees should provide customers with at least a minimal level of counseling on debt problems.

H. Complaints

1. Licensees must have in place a formal customer complaints procedures and a copy of this should be submitted to the Central Bank. Moreover, licensees should appoint a customer complaints officer and publicise his/her contact details at all branches, as per Module BC.

2. Licensees must inform customers of the complaints procedures and should provide a written leaflet outlining the procedures.

3. Licensees should acknowledge in writing customer complaints received in writing within 5 working days of receipt.

4. Within 4 weeks of written acknowledgement to the customer, licensees should respond in writing explaining their position and how they propose to deal with the complaint.

5. If a customer is not satisfied with a licensee's response, the licensee should 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, licensees must 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 Central Bank may, from time to time, ask the Compliance Officer to report on the licensee's record of adherence to the Code.

3. Licensees should implement this Code and ensure that their staff are fully familiar with it.

4. Copies of the Code should be made available to customers and notices should 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.