

Legally Yours



By Ahmad J. Tahboub

Credit Card Holders... Watch out!

More than twenty commercial banks operate credit cards in Jordan. Although card offering is a new banking concept locally, it is interesting to know that more than 700,000 credit cards are floating in the local market nowadays. It first started when banks acknowledged customers need in the eighties and issued debit cards with internationally known signs (Visa, Master, American Express ... etc.). The one hundred percent cash guaranteed cards reined for twenty years, and actual credit cards were limited to a selected segment of high profile clients. Seven years ago, a foreign bank first introduced the credit concept and paved the way for other banks to concentrate operations and present this important product to the market.

Should you ask about governing entities, let it be known to all that the Central Bank of Jordan governs banks activities! Interest rate was a big issue since it was not allowed to exceed the original debt amount. And this all changed in 2002 when Banks Law amendment allowed for a "NON-RESTRICTED" interest rate and abolished all ceilings based on the card contractual terms. Although credit card offering is considered a banking activity, and such no other entity is entitled to attend it, The Central Bank regulations did not include actual protective standards towards card holders. The legal amendment of interest rate, along with the lack of required development slaughtered the only institutional protection for individuals.

The concept of credit cards is still a newly developed banking service for which banks charge their clients with various fees, commissions and charges. Sometimes, we erroneously say that banks issue credit cards, where in fact they only operate international cards offered originally by four institutional issuers. As a product, banks channeling those cards are entitled to collect certain charges from clients based on their contractual terms. In general, bank charges vary from one to the other. Nevertheless, your monthly statement include items like interest fee per operation, monthly delay charge, insurance fee, issuance fee, cash withdrawal charges summing to a total cost exceeding 34% annually.

While reviewing your expenditures, you may come across an interesting issue. The findings would be that when you spend one thousand Dinars on your credit card, you are expected to repay the amount, IN DOUBLE, in less than three years ... OUCH!! For some, lack of leniency from the bank side becomes a long lasting suffering and a financial agony that may only not end by a major one-off payment. A dream that does not come true in most cases!

Solution: If I was in your shoes, I would think twice before signing a credit card application. Our need for credit should not impair the human blessing of THINKING.

On one hand, business entities may negotiate credit terms for corporate cards since credit cost for banks vary according to how big or small the total amount is. Professional negotiations with banks usually provide an open play ground for financial managers in your company. Whereas an individual may not negotiate credit card terms, you may certainly compare charges and fees among offering banks. Since banks currently compete in this market, you stand a good chance for window shopping and comparing at least three different offers. Central Bank regulations do not protect card holders whether local or foreign. Freeing the market with no restrictions actually left it open for banking morals to decide what is right and what is wrong! The multi billion Dinar market deserves more attention on the local front, and where some countries rely on their political parties, we can hardly claim the same in Jordan. In the absence of active political parties, there is room for social intervention through specialized community institutions. I believe that financial tools are developing fast, and this demands active community follow up and supervision to help balance conflicting interests. Until our next encounter, I remain ...

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