[1/7/2007]

Code of Best Practice on Consumer Credit and Charging

A. About this Code

1. This Code has been prepared jointly by the Banker's Society of Bahrain ("BSB") and the Central Bank of Bahrain ("Central Bank" or "CBB"). It sets out minimum standards for retail banks and financing companies (thereafter referred to as Central Bank licensees or 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 personal customers in the Kingdom of Bahrain.

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. Interest/Profit Rates

1. Licensees must inform consumers when they are contemplating buying a product or at any time they ask how and where they can find information about interest/profit rates. For example:
   - by looking at the notices in the branch (or branches);
   - by looking on the website, and/or
   - by asking staff

2. Licensees must provide consumers with written information about the initial interest rates that apply to their loan when such interest is payable, as well as the notification of changes. Shari'a compliant institutions must provide consumers with written information 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 interest (profit margin in case of Shari'a compliant financing) is calculated.

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

5. Licensees must inform customers of any changes to interest/profit rates in an effective manner before they take effect.

6. When interest/profit rates change, licensees must update this information on their websites within two working days. Licensees must also advise the old rate so that customers can compare how the new rate has changed.

E. Lending/ Financing

1. Before a licensee makes a loan or provides any other form of credit, 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.

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 / arrangement fees.
   - Pre-payment charges.
   - Default interest rates.
   - 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 a licensee increases any charges or introduces a new charge, it must inform the customer before the charge take effect. If the customer does not accept the increase or new charge, the licensee should give the customer the option of terminating the relationship within 15 days of application of the charge. If the consumer does not terminate the relationship within this time, it will be deemed as accepted.

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 a minimal level of counselling 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.

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.

J. Disclaimer

For the avoidance of doubt, this Code shall not have any legal implications, and the provisions therein shall be subject to the rules of the CBB Rulebook.