

No unilateral deductions

Bank cannot deduct credit card payment from account if holder has paid monthly dues



LEGAL VIEW ASHISH MEHTA

I have an account with a UAE bank and also a credit card from the same bank. I have been using that card and account for the past two years. My salary was credited into the account. But after changing my employer last December, my salary is now being sent to another bank account operated by me.

I am using the old bank's credit card and paying the full amount by the due date. I have been doing this for the past two years. On June 12, the bank deducted my available Dh4,000 from my current account for credit card payment without my permission. I had paid the due amount earlier on June 5. When I spoke to them they said my salary is not being credited to the account and hence the deduction. I told them this is against the privacy policy and that I did not give them any standing instructions to deduct the amount.

Is it legal for a bank to deduct money without permission? I paid the due amount ahead of schedule. Are they authorised to do such transactions?

It is understood that further to change of your employer, your salary is now remitted to a new bank account, while the credit card you are using is issued to you by a different bank where your salary used to be remitted. It is assumed that you paid the outstanding balance, in full, to the bank on June 5, as per the latest statement issued by the bank.

A bank may issue and operate a credit card with respect to the current account of its customer in accordance with Article (391) of the Federal Law No (18) of 1993 on the Issuance of the Commercial Transactions Law which states:

1. A bank may open a current ac-

count for its customer where the operations carried out by the said bank are coupled with the opening of credit or the granting of credit facilities in his favour.

2. It may be agreed that the account shall not be overdrawn from the customer's side with a continuous credit balance. It may also be agreed that the said account shall be overdrawn on both sides, which means that it could have a debit or credit balance in regard to both parties.

There is no merit in the decision of the bank to unilaterally deduct Dh4,000 as no amount was owed by you to the bank on account of the credit card issued by the bank to you, in accordance with Article (404) of Federal Law No 18 of 1993 which states: "If the entry of the debt in the current account ceases to exist or if the amount of such debt is reduced, for a certain reason following its entry, the entry of such debt should be cancelled or the amount of such debt should be reduced as the case may be and the account should be amended accordingly."

Can banks hold money?

I have cleared my personal loan with a local bank in Dubai, and they have issued a clearance certificate (No Liability Letter) in my favour, but this bank is holding more than Dh10,000 for the credit card they had issued. I never utilised their credit card nor was it activated (till its cancellation and surrender to the issuing bank). The bank is saying this amount will be released to me after 45 days.

My question is, when I didn't utilise the credit card and not even activated it, is it legal for the bank to hold my money for such a long time and without profit?



Can I take legal action against this bank?

You have not mentioned whether you provided a cheque for Dh10,000 to the bank which the bank is supposed to hold with them as a security cheque, or whether the bank encashed the cheque for Dh10,000. It is assumed that the bank encashed the cheque for Dh10,000 provided by you to the bank.

Article (12) of the 'Regulations Regarding Bank Loans & Other Services Offered to Individual Customers' of the Central Bank of UAE states:

"(a) Conditions for opening of accounts of all types as well as conditions for obtaining credits cards must be included in a standard agreement, drafted in both English and Arabic and written in an easily readable font, and in accordance with texts drafted and approved by the Emirates Banks Association.

(b) Conditions for granting per-

sonal loans, car loans, overdraft facilities and facilities for covering unpaid credit card balances must be included in standard applications, drafted in both Arabic and English and written in an easily readable font, and in accordance with texts drafted and approved by the Emirates Banks Association."

Pursuant to the aforementioned article, you may check the contents of the agreement signed by you and the bank to determine whether the bank is permitted to take up to

45 days to return the Dh10,000 paid by you. In the event this agreement is silent on this matter, then you may consider filing a complaint against the bank with the Central Bank of the UAE and further you may consider initiating legal action against the bank.

Prior to taking a decision you may consider whether it is prudent to wait for up to 45 days to receive Dh10,000 or incur cost and time to initiate legal action against the bank.

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