

Payments Abroad - Advice Guide

Whether you are going overseas for a holiday or business, paying by card is one of the most convenient, flexible and often cost-effective ways to pay.

As long as your card carries one of the global card scheme logos, such as American Express, MasterCard or Visa, you will be able to use it at most shops and cash machines around the world.

Also, a big benefit of using a debit or credit card is that unlike cash, if your card gets lost or stolen and you are an innocent victim of card fraud you will get your money back.

This guide outlines the benefits of using cards in certain situations, explains charges that may be applied for certain types of transactions and provides advice on how to stay safe from fraud.

Staying safe from fraud

Being a victim of theft, fraud or not being able to use your cards is a huge inconvenience, especially if you are abroad. However, following some simple, common sense precautions before, during and after your trip overseas can help minimise your chances of having any difficulties.

For instance, make sure your card company has your up-to-date contact details, including a mobile number. If your card company detects unusual spending patterns on your card they may try to contact you to check that the

transactions are genuine - they could block your card from being used if they cannot get in touch with you. Similarly, it is advisable to have your card company's 24-hour telephone number with you, in case you need to contact them because of any difficulties. The number will be on the back of your card, your card statement or on their website. These, and other simple tips can help ensure your time overseas is hassle-free.



Charges when paying overseas

In the UK we are accustomed to free transactions, whether paying by card, cheque, cash or using a cash machine. However, whilst overseas, transactions - including those for cards - are likely to carry a cost, even if it is only a foreign exchange fee.

If you are planning to use a card it is worth knowing about the types of charges that you may incur. These are explained below but it is important to remember that any charges depend on the type of card you have (i.e. debit, credit or prepaid card) and your own card company's competitive offering. You can check fees for using your credit card on the back of your monthly statement, and fees for using your debit card will be set out in your card company's terms and conditions.

As well as any charges that may be applied by your card company you should also be aware of local charges, particularly if the payment facility is located in a hotel or other tourist area. You should also check receipts carefully, especially if you are unfamiliar with the currency.

It is always worth getting in touch with your bank or card company and looking at their website to see exactly which

fees are applicable to your cards, as well as the exchange rates charged for the local currency at your destination. Some card companies do not impose fees and charges on foreign transactions – so it is worth shopping around.

Typical charges for overseas transactions that may be applied by your card company are:

- Foreign exchange fees: these cover the cost of converting transactions from a sterling account into a foreign currency. You are likely to find that your card company offers a more competitive rate than is available at a bureau de change. You can check your card company's rate by contacting them or visiting their website. You are most likely to be given a rate on the day that you make the transaction rather than on the date of your statement. On top of the exchange rate offered by your card company you may also be charged an exchange rate commission fee. In some situations this will be in the form of a flat fee, in others as a commission calculated as a percentage of the total transaction. You can make the most of favourable exchange rates by ensuring that you pay in the local currency when using your card.

- Cash withdrawal fees: the fee for using a cash machine abroad is typically charged at around 2% of the withdrawal amount, or a minimum of £2, and is levied by your card company. As well as this, many cash machine providers abroad, especially in the USA, will also charge a fee if you use their cash machine. This fee should be explained on screen when you make your withdrawal. Generally it is much cheaper to withdraw money using a debit card than it is to exchange cash locally, particularly if you are not completely familiar with the exchange rate. As in the UK, if you use a credit card, interest charges will apply for cash advances when the withdrawal is made, so check your card's charges in advance to avoid any surprises when you return home.
- Purchase fees: this refers to the charges that some debit card companies apply to purchases made by debit card in an overseas shop. Some card companies do not charge anything but, of those that do, these are normally flat-rate charges (typically between £1.25 and £1.75 per transaction), although some are charged at a percentage rate (typically 2.75%, subject to a minimum fee). Generally there are no purchase fees for making credit card purchases in shops abroad.

Example Charges

Type of payment	Typical example charges
Using a debit card at a cash machine	Foreign exchange fee & cash withdrawal fee
Using a debit card in a shop	Foreign exchange fee & purchase fee
Using a credit card at a cash machine	Foreign exchange fee / cash withdrawal fee / cash advance interest fee
Using a credit card in a shop	Foreign exchange fee & cash withdrawal fee



Facts to know when paying by card

- Extra protection if you use a credit card: If you buy something at home or abroad between £100 and £30,000 with your UK-issued credit card and the goods are faulty or aren't delivered, you have protection through Section 75 of the Consumer Credit Act. Normally the quickest and most straightforward way to get redress is to speak to the retailer concerned – although this might be difficult if you have bought something abroad and have since returned to the UK. In situations like this you can also approach your card company for recompense. Section 75 does not apply to debit card purchases, although some debit card companies do offer similar protection so it is always worth speaking to your card company to see exactly where you stand.
- Paying in the local currency or your home currency: Some shops, restaurants and cash machines abroad offer a service called Dynamic Currency Conversion. This means that when paying by credit or debit card, you are given the option of paying in the local currency - using the exchange rate offered by your card company - or having the transaction converted into your home currency (i.e. sterling) there and then, using an exchange rate set by the retailer.

Paying in your home currency can be useful for knowing exactly how much will appear on your statement when withdrawing cash at a cash machine or paying for goods or services abroad. However, you should always be careful that the exchange rate used in the conversion is value for money, as the exchange rate used by the retailer may not be as competitive as the rate offered by your card company.

If a retailer is operating Dynamic Currency Conversion, you should still always be able to choose the currency of the country you are in. If you are in any doubt, ask for the bill in the local currency.

Pre-authorisations

You should also ensure that the credit limit on your card is sufficient (or that you have available funds in your account) for the spending you intend to make, especially if you plan to book hotel rooms or hire a car whilst abroad. This is because these types of

businesses in particular may make a pre-authorisation on your account. A pre-authorisation works by reserving (earmarking) an amount on your account until such time as the particular transaction is settled (for example, when you return the hire car or check out of the hotel). Whilst the reserved funds never actually leave your account, they are deducted from your available credit limit or balance so, during this time, you may have less to spend on your card than you think.

Businesses will take a pre-authorisation transaction for two reasons: firstly to confirm that the card used is valid and has not been reported as lost or stolen, and secondly to give some reassurance that the cardholder has sufficient funds in their account in case of a prolonged stay in the hotel or extended use of the car. Some businesses may only accept credit cards for these types of transaction.

If a customer were to experience any difficulty in using their card as a result of a pre-authorisation transaction they should contact their card company. This emphasises the importance of having with you the 24-hour contact telephone number of your card company.

Prepaid cards

Some banks and other institutions offer prepaid cards for overseas travel – normally available in a number of currencies. prepaid cards remove the need to carry large amounts of cash, and are effectively an alternative to traveller's cheques. These cards can be used in much the same way as credit and debit cards – at cash machines and in shops wherever you see the MasterCard or Visa logos. Most prepaid cards can normally be loaded in the UK and overseas (often via the internet), and can be especially useful if you have a budget for your trip and don't want to overspend. As prepaid cards may have different charges to credit and debit cards, and different fraud protection terms, you should make sure you check the terms and conditions and the costs involved before you travel.



Charges and paying overseas: top tips

Before you go overseas

- Check with your card company whether there are any restrictions on where you can use your debit and credit card overseas.
- Check your card company's respective fees and charges for overseas purchases and cash withdrawals, for both debit and credit cards.
- Check the exchange rates charged for local currency at your destination, so you know the best – and cheapest – way to get cash.
- If you don't have a debit or credit card and don't want to carry around traveller's cheques or large amounts of cash, consider getting a prepaid card.

When you are overseas

- If you buy something with your credit card costing between £100 and £30,000 you have extra protection if the goods are faulty or not delivered. Some Visa debit card providers also offer similar type protection as part of their customer services. You should check your terms and conditions.
- A retailer or cash machine may give you the choice of paying in your home currency or the local currency. If you pay in your home currency, make sure the exchange rate is competitive. If you are in any doubt, pay the bill in the local currency as it will generally be cheaper.

When you get back

- Check your receipts against your card statement carefully.
- If you notice any unfamiliar transactions, report them to your card company as soon as possible.

Staying safe overseas: top tips

Before you go overseas:

- Only take cards with you that you intend to use; leave others in a secure place at home.
- Make sure you have your card company's 24-hour contact telephone number.
- Make sure your card company has up-to-date contact details for you, including a mobile telephone number.
- If your cards are registered with a card protection agency, ensure you have their contact telephone number and your policy number with you.

When you are overseas:

- Don't let your card out of your sight, especially when using it in restaurants and bars.
- Don't give your PIN to anyone – even if they claim to be from the police or your card company.
- Shield your PIN with your free hand when typing it into a keypad in a shop or at a cash machine.

When you get back:

- Check your card statements carefully for unfamiliar transactions.
- If there are any, report them to your card company as soon as possible.

