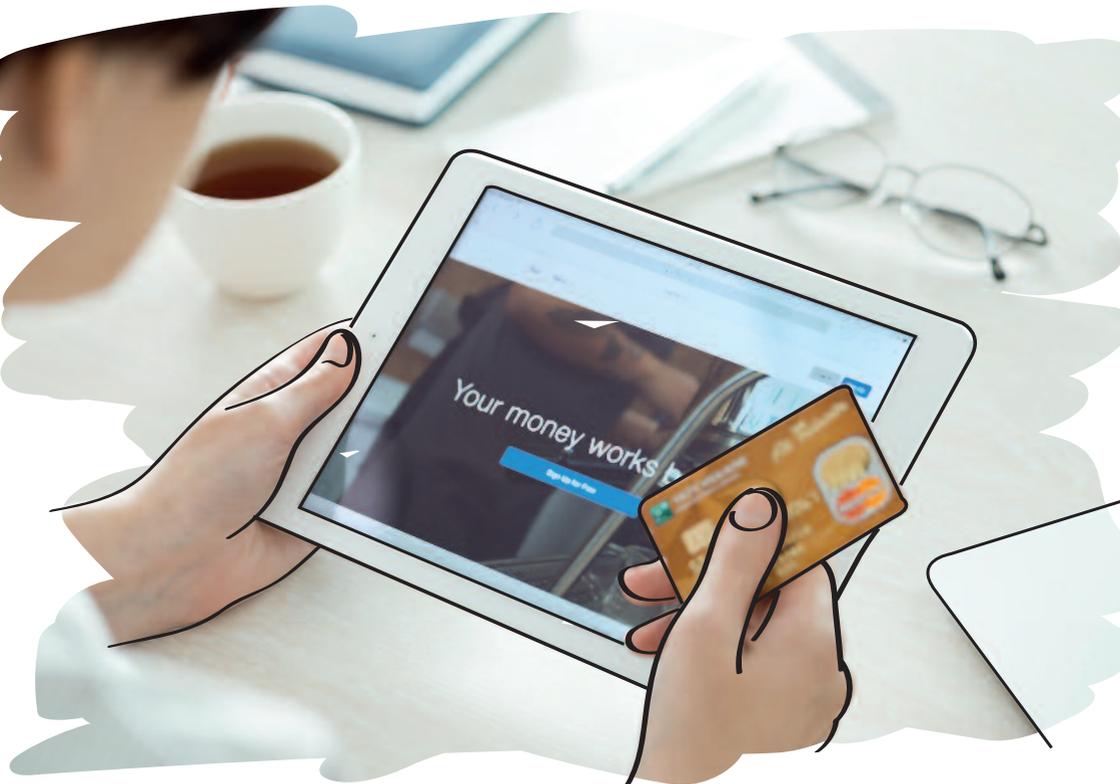


Credit and debit cards

A consumer guide



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Credit and debit cards are a safe and convenient way of paying for goods and services in shops or online anywhere in the world. Unlike cash or cheques, if something goes wrong when paying by card, you benefit from a range of protections.



This guide will help you understand:

- the different ways you can pay by card
- how to track your payments
- how to set up repeat payments
- how to get a refund
- protection against fraud
- information about the costs and features of a credit card
- how to make credit card repayments
- changes made to your credit card account
- what to do if you experience financial difficulties
- how to make a complaint

This consumer guide covers both credit and debit cards. Where information only relates to one type of card, this will be indicated.



Different ways you can pay using your credit or debit card

Credit versus debit cards

- Your credit card is linked to a credit card account. You are allowed to borrow on this account up to a credit limit, and to make flexible repayments. You can pay off in full by a set date without incurring interest, or pay back a lesser amount which normally means you'll be charged interest.
- Your debit card is linked to your current account. The amount of the purchase is usually deducted from your available balance on the same day although it can take a few days for this to show on your statement.

You can use your credit or debit card to pay in person in a shop, restaurant, bar or other retailer where card scheme logos are displayed.

Some cards also allow contactless payments for purchases of up to £30. Contactless cards have exactly the same security protections as non-contactless cards. There are a growing number of mobile, wristband and watch options that can be used for contactless payment and are equally secure (some of these can be used for purchases over £30).

You can use your card to pay online or over the phone. You will be asked to provide your card details (the long number on the front of the card, expiry date and 3 or 4 digit security number). For online purchases, retailers will often use a further authentication stage like 3D Secure, which asks you to input different characters from a password. You can also set up a series of payments, for example for digital streaming of films or music.

You can take out cash with your debit card for free from most ATMs, and you can also ask for cashback when you spend a certain amount in a shop on your debit card, if the retailer offers this service. Generally, credit card issuers will charge a fee on cash withdrawals, and will charge interest from the date of withdrawal.

Overseas

You will be able to use American Express, MasterCard or Visa cards at most shops and cash machines around the world. There may be charges associated with this – see our *Using Cards Abroad* guide.

Accessibility

Chip and signature cards are available as an alternative to Chip & PIN cards for people who have disabilities that make it hard to use a PIN. You can contact your card issuer to arrange this. Card terminals in shops are designed to automatically prompt shop staff to ask for a signature when one is needed.

Surcharging

Retailers can currently add an additional fee to a customer's bill when a credit or debit card is used for payment, but these cannot considerably exceed the retailer's processing costs for the payment. If you experience surcharging that seems excessive, you can report it to Citizens Advice.

Additional account holders

You may be able to add another cardholder to your account, and you will usually be able to manage what they can do on your account (like accessing information and making transactions). You will be responsible for the additional cardholders' use of the card account.



Keeping track of your card payments

There are various ways to keep track of what you are spending.

Retailers are required to give you a receipt for card payments in a shop, and you can request a receipt for contactless payments.

You may receive paper or online statements from your card issuer. You can usually set up online access to a card account so you can see payments and balances as soon as they are updated. Some card issuers also offer mobile apps which allow you to track your payments.

Your card issuer may also be able to provide you with notifications via text or email, for example when:

- payments are due
- an assigned monthly spend has been reached
- a balance threshold has been reached
- a charge (such as overdraft fee) is likely to be made
- a sufficient balance has been reached to allow money to be transferred to savings.



How to set up repeat payments on your card

You may choose to use your credit or debit card to make future payments for goods or services. This is called a continuous payment authority (CPA), also known as recurring transactions or instalment payments.

CPAs can be set up online, in person or over the phone. To give a retailer a CPA on your card account, you provide your debit or credit card details, rather than your bank details, which would normally be used to set up a direct debit. A CPA gives the retailer a mandate to take payments from your account on dates of their choosing, and for different amounts, without seeking authorisation from you again.

A CPA could be:

- For a one-off amount to be paid in the future, for example if you have taken out a loan.
- For a regular payment, usually of a fixed amount, such as a monthly subscription for a magazine or online streaming services like films or music. This is sometimes also called a recurring transaction or instalment payment.
- For a less frequent but also regular payment, such as an annual renewal of car insurance.

The *Consumer Contracts (Information, Cancellation and Additional Charges) Regulations 2013* set out how retailers should act in setting up a CPA and during the course of a CPA.

Setting up a continuous payment authority

When you are setting up a CPA, you are entering into a contract with the retailer. The retailer must make this clear to you, and you must explicitly agree to it. A retailer cannot assume you agree through the use of opt-out provisions, or by a default pre-ticked box. For example, if you are offered a free trial after which payments will be taken, you should be clearly asked to agree to these future payments before money is taken. If this has not happened the contract could be considered unenforceable and you could be entitled to a refund.

The retailer must make clear the following details about the CPA:

- The main characteristics of the goods, services or digital content
- The total price (or how this will be calculated)
- All delivery charges or any other costs (or state that they are payable)
- The monthly, or billing period, costs of open-ended contracts or subscriptions
- Whether the contract is of a fixed duration or, if it is to be extended automatically, the conditions under which it can be terminated
- The minimum duration under a contract.

Once you have agreed to the CPA, the retailer should send you details of the contract and the future payments that it will take from your card account. It is also good practice for the retailer's name to appear on your card account statement.

It's important when you are setting up a CPA to make sure you are provided with the details of how much the payments are and when they will be taken.

Changes during a continuous payment authority

The retailer should only make changes to the CPA, such as the amount or timing of payments, with your clear consent. It is good practice for the retailer to provide you with either a brief statement each time a payment is taken or a annual summary statement.

If a CPA is being renewed for an additional fixed period this should be treated as setting up a new CPA and the same process above should apply.

If your card expires during the course of your CPA, you should check with the retailer whether your new card details have been automatically updated with them, as this will not always be the case.

Unlike direct debits or standing orders, if you switch bank account your CPA on the associated debit or credit card will not be transferred over, so you will need to contact the retailer with your new details.

Cancelling a continuous payment authority

If you want to cancel a CPA, you can do this by contacting either the retailer or your credit or debit card issuer. In most cases, you should be able to cancel it by simply asking the retailer - this should be straightforward and they should respond quickly. There should not be a fee or penalty for cancelling a CPA itself. However, you may still need to make any remaining payments through another means even if you have cancelled the CPA.

You also have the right to cancel a CPA directly with your card issuer without going to the retailer first. In order to stop the next payment going out, you will need to cancel it at least a working day before the money is due to be taken from your account. It will always be helpful to let the retailer know that you are cancelling an existing arrangement with them, particularly where you have a contract or credit agreement in place.

Any related payments taken from your account after you have cancelled the CPA are considered to be unauthorised transactions. Card issuers must refund these payments and any related charges on your card account. The Financial Conduct Authority (FCA) has guidance on how your card issuer should handle your request to cancel a CPA.

If you have cancelled a CPA directly with your card issuer and then decide to renew your CPA with the same retailer, you must contact your card issuer first, as it is likely they will otherwise decline the payment.

How to get a refund

Whatever kind of card payment you have made, you are protected if something goes wrong with goods or services you have bought, both at home and abroad.

It's usually quicker and easier to sort out any problem with the company you bought the goods or services from. Most retailers have well established returns, refunds and complaints procedures. However, if the retailer can't fix the problem, or is not contactable, your debit or credit card issuer should be able to help. You won't be refunded twice for the same purchase, so if you have received a refund from the retailer already, you can't make a claim from your card issuer.

Cooling off period

If you buy something online, by phone, or by mail order from anywhere in the European Union, you are entitled to a 14 day cooling-off period, starting from the day you receive the goods. During this time you can cancel the order and get your money back from the retailer including the appropriate return postage or shipping costs.

Chargeback for credit and debit card purchases

There is a mechanism for your card issuer to reclaim money from the retailer's bank called chargeback.

This can allow your issuer to provide you with a refund in a number of circumstances, including:

- if you do not get the goods or services you paid for, including if the company has gone out of business
- if goods or services turned out to be faulty, counterfeit or defective (you will need to return the goods in order to get a refund in this case)
- if you are charged the wrong amount, or charged twice by mistake
- if you are charged for a repeat payment after cancelling a subscription.

How chargeback works

Chargeback is not a legal right (unlike Section 75 below). You should address a chargeback claim to your debit or credit card issuer, which in turn will put in a request to the retailer's bank. The process for managing these claims is determined by a set of rules from American Express, MasterCard or Visa.

There are no guarantees your issuer will be able to recover the money through chargeback, or that the trader will accept that you were justified in having the money back.

Time limit

You should make a claim as soon as you identify the problem or are concerned about a transaction, as your card issuer usually needs to start the chargeback process within 120 days from when you made the transaction or when you were due to receive the goods or services.

Providing evidence

Your card issuer is required to provide evidence to the retailer's bank to make a chargeback claim. The evidence can be in the form of a written letter or email from you, or a written form which the issuer completes following a discussion with you.

When you first contact your card issuer, you should provide the following information:

- the name of the retailer you have paid money to
- the date you paid the money and how you paid it (in store, over the phone or online)
- a detailed description of the goods or services you paid for (e.g. colour, brand, size of goods), and estimated delivery dates
- what has gone wrong with the goods or services delivery
- proof of the return of goods to the retailer if they are faulty
- if you know that the retailer has gone out of business, you should direct your card issuer to their website (where there will likely be a message from its insolvency practitioner).

Alongside the form the issuer may need to provide other evidence, and they may contact you after your first discussion with them to obtain this.

This can include:

- invoices
- receipts
- correspondence you have had with the retailer when trying to fix the problem.

Section 75 for credit card purchases

When using a credit card, you also have what is known as Section 75 protection. This law (part of the Consumer Credit Act 1974) protects you if you use your credit card to buy something costing over £100 and up to £30,000.

If you paid with your credit card, you are legally entitled to get your money back if:

- the product or service is faulty
- the company you bought the product or service from breaks their contract with you, including if they go out of business
- the company you bought the product or service from does not deliver what they have promised.

You are even able to claim if you only used your credit card to pay for part of the cost of what you bought. The protection may also cover any losses you have over and above the original amount you paid, for example if an airline goes out of business and you incur additional costs to get back home.

You should address a Section 75 claim to your debit or credit card issuer.

Time limit

You should make a claim within six years of buying the goods or services or, in cases of non-receipt, when you were due to receive them.

Providing evidence

To make a claim you should contact your credit card issuer with details of the purchase, along with any contract you were given and any other correspondence you have had when trying to fix the problem.

What's not covered by Section 75

There are a few circumstances where Section 75 does not apply. These include:

- the purchase of any land
- goods or services paid for by a secondary cardholder
- hire purchase agreements e.g. car finance
- where goods or services are bought through intermediaries.

This applies to buying through a payment platform like PayPal; through an online marketplace retailer like Amazon (when you are buying a third parties' goods through Amazon); or through an aggregator like Expedia, which sells on flight and hotel bookings.

However, agencies like these often have their own payment protection systems in place.

Protection against fraud

Credit and debit cards are an extremely safe way to pay. However, if you are unfortunate enough to be a victim of fraud, you are protected.

Legal protection

Victims of card fraud are legally protected to ensure they don't lose out financially. If you suspect you are a victim of fraud, it is important to contact your card issuer immediately so that they can prevent further fraud. Your card issuer may also contact you if they notice unusual spending patterns on your account.

Regulation and legal protections entitle card fraud victims to a refund, including any interest or charges on their account as a result of the fraud. If your credit or debit card issuer believes that you were responsible for any disputed transactions, it is up to them to prove it.

You should always keep your PIN secure and you shouldn't share it with anyone. If you need someone to withdraw cash for you, some card issuers now issue a one-off code that allows a certain amount of cash to be withdrawn from your account without your card.

Your bank, card issuer or the police will never:

- Phone you to ask for your 4-digit card PIN or your online banking password, even by tapping them into the telephone keypad
- Ask you to update your personal details by following a link in a text message
- Send someone to your home to collect your cash, PIN, payment card or cheque book if you are a victim of fraud
- Ask you to transfer money to a new account for fraud reasons, even if they say it is in your name

Always be wary of any unsolicited calls, texts or emails asking for your personal or financial information. If you are at all suspicious, do not call the number in the text message or email. Instead wait five minutes and call your card issuer on a number that you trust - such as the one on the back of your card.

Fraudsters can alter the telephone number that appears on your handset during a phone call or the sender name on a text message. The display cannot be trusted and should not be taken as confirmation that the approach is genuine.

Receiving clear information about costs and features of a credit card

To help you compare different products, credit card issuers provide information about interest rates, charges and other helpful information.

- Details about a card's features and charges, including interest rates, can be found in a summary box, which appears on all statements and marketing materials.
- If you have been offered an introductory promotional rate, the company will remind you four to eight weeks before this is due to come to an end, so you can assess your choices.
- You will receive a monthly statement (unless there is no balance on the account and you have made no transactions). This will show the estimated interest you have to pay the following month. It will also include your credit limit and how much of it is available to use at the time.
- You will also receive an annual credit card statement. This provides a useful snapshot, summarising how much you have spent, your repayments and any charges you have incurred over the past 12 months.



How to make credit card repayments

To help you manage your finances and make sure you repay any balance more quickly, credit card issuers have introduced ways to give you more control.

- You can repay your credit card balance through various options: direct debit; through an online banking service; by phone; in the branch, or by cheque in the post.
- All credit cards have a minimum payment that must be made per month. For credit card accounts opened since April 2011, credit card issuers must set the minimum payment at a rate that reduces your balance by at least 1% each month. Some credit card issuers may also apply this to older accounts.
- If you want to pay a fixed monthly amount off your credit card bill, such as through a direct debit, you can set this up for any amount between the minimum payment and the full outstanding balance.
- If you usually only pay the minimum payment, or a little bit more, your credit card issuer may contact you to explain how this is the most expensive way to repay. You may wish to take a look at our online CardCosts calculator to see the cost of your credit card and how this can vary depending on how much you repay – www.cardcosts.org.uk



Changes made to your credit card account

From time to time, your credit card issuer might need to alter your interest rate, or they may wish to increase your credit limit. The credit industry's Standards of Lending Practice set out when and how often changes can be made and what your card issuer must tell you.

Interest rate increases

Your credit card issuer will contact you at least 30 days beforehand if they are planning to increase your interest rate, to allow you to decide what you want to do.

You then have 60 days to decide if you want to reject the increase. If you do so, your account will need to be closed and you will be able to pay off your existing outstanding balance at your current interest rate.

These rules do not apply when your interest rate changes at the end of a promotional period, or if you have agreed to a variable interest rate beforehand; for example, an interest rate set to directly track the movement in an external index (such as a base rate), which has been clearly stated in the product's terms and conditions.

Our *Repricing Guide* provides a useful explanation of why interest rates may be increased, together with steps you can take to reduce the chances of it happening.

Credit limit increases

If your credit card issuer plans to increase your credit limit, they will contact you at least 30 days beforehand. You have the right to refuse to accept the higher limit and also to opt out of any future increases.

You can turn down a credit limit increase in various ways, including by writing to your credit card issuer, online, or by phone.



What to do if you experience financial difficulties

Unexpected changes in your personal and financial circumstances can affect your ability to repay what you've borrowed. Credit card issuers have a number of measures in place to support any customer who is struggling financially and to treat them sympathetically.

It is really important that you contact your credit card issuer if you feel you may be experiencing the early signs of financial difficulties, as this will allow you and them to discuss options and agree a way forward.

Debt advice

Credit card issuers will seek to contact customers who appear to be having difficulty in paying their bills to offer support. They will also provide options and give details of free independent debt-advice agencies.

AdviceUK

www.adviceuk.org.uk
0300 777 0107 or 0300 777 0108

Citizens Advice (England and Wales)

www.citizensadvice.org.uk
England: 03444 111 444
Wales: 03444 77 20 20

Christians Against Poverty

<https://capuk.org/>
01274 760 720

Citizens Advice (Northern Ireland)

www.citizensadvice.co.uk

Citizens Advice (Scotland)

www.cas.org.uk
03454 04 05 06

Money Advice Scotland

www.moneyadvicescotland.org.uk
0141 572 0237

Money Advice Service

www.moneyadviceservice.org.uk
0300 500 5000

National Debtline

www.nationaldebtline.org
0808 808 4000

StepChange Debt Charity

www.stepchange.org/
0800 138 1111

Repayment support

If you are working with a debt advice agency to develop a repayment plan, your credit card issuer will give you a breathing space of 30 days, during which time they will not contact you to recover the money you owe. If you have made progress during this period, but still need more time, the breathing space may be extended for up to another 30 days.

How to complain

About a credit or debit card issuer

You will normally be able to complain to your issuer online, on the phone or in writing. If your credit or debit card issuer cannot deal with your complaint by the day after they receive it, they will contact you to let you know they are looking into it. They must tell you about their progress and make sure that you receive a final response within eight weeks.

The Financial Ombudsman Service (FOS)

You can also refer your complaint to the Financial Ombudsman Service (FOS) which is independent and impartial. They will review your complaint by weighing up all the facts. This is a free service.

If the FOS decides in your favour and you have lost out financially, they can order your credit or debit card issuer to put things right. Their decision is binding on credit and debit card issuers, but you don't have to accept their decision. You may take your case to court, but this may take longer and could be expensive.

Financial Ombudsman Service

www.financial-ombudsman.org.uk

0800 023 4567 or 0300 123 9 123

About a retailer

If you have a complaint about how a retailer has handled your card payment, you can report this to Citizens Advice Consumer Service.

Citizens Advice

www.citizensadvice.org.uk

03454 04 05 06

Your rights on card payments arise from different laws, regulations and guidance

For credit and debit cards:

- the Payment Services Regulations 2009
- Consumer Rights (Payment Surcharges) Regulations 2012

For credit cards:

- the Consumer Credit Act 1974
- Financial Conduct Authority Rules and Guidance
- the Standards of Lending Practice



For more information:

The UK Cards Association
www.theukcardsassociation.org.uk

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