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# OVERSEAS CREDIT & DEBIT CARD CHARGES

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# Executive summary

This report provides a comparison of 50 debit and credit cards and the charges incurred by consumers when used abroad.

In the past, banks and credit card providers weren't obliged to show a breakdown of the fees consumers were charged using their debit or credit cards abroad. Statements simply showed the total cost in GBP to the consumer, with no hint that any other charges applied or had been included. Following a super-complaint upheld by the Office of Fair Trading in 2011, providers agreed to change this by the end of 2013.

MoneySavingExpert believes this change has confused consumers into thinking they are only now beginning to pay. Our findings demonstrate the true costs of overseas spending using everyday debit and credit cards, and highlight the unnecessary expense this may cause holidaymakers.

Our results show the majority of credit and debit cards on the market are far more costly to the consumer than taking a specialist credit card such as Halifax Clarity, Saga, Post Office or Nationwide Select.

Particular attention can be drawn to debit cards from a number of the big banks, which in addition to standard load (spending fee for abroad) and cash withdrawal fees, add a spending penalty every time a transaction is made. This report also found that withdrawing cash is often far more expensive than spending on the card. By raising consumer awareness around holiday spending methods, holidaymakers could save over £60 per £1,000 spent overseas.

# Introduction

This year is the first time debit and credit card users are being explicitly told how much overseas transactions and withdrawals cost. Traditionally, these costs were hidden, but a super-complaint upheld by the Office of Fair Trading (OFT) in 2011<sup>1</sup> changed this.

It looked into the travel market, the detrimental charges and lack of fee breakdown costs for travellers. It was the first time this had been investigated, and as a result, banks and credit card providers agreed to change their practices.

Now, all providers give a full cost breakdown on statements for transactions made outside the UK. This has left consumers confused – fees have always been charged, but it has only now become obvious to them.

MoneySavingExpert has compared the costs of the top 25 debit and top 25 credit cards. Our findings highlight the massive difference between spending on everyday cards compared to specialist overseas ones, which are load-free and offer lower fees on ATM cash withdrawals. Our research highlights that consumers are still unaware of the cost difference between different methods of spending.



<sup>1</sup> See Appendix, Fig.3.

# Research

## Debit card costs explained

All of the big banks<sup>2</sup> add a load fee of about 3% – a charge for using a debit card outside the UK – every time the card is used for spending or ATM withdrawals, plus an ATM fee for taking out cash. In real terms, spending £100 of euros isn't costing the consumer £100 – it actually costs at least £103, more if it's withdrawn.

“ SPENDING £100 OF EUROS ISN'T COSTING THE CONSUMER £100 – IT ACTUALLY COSTS AT LEAST £103, MORE IF IT'S WITHDRAWN ”

In addition, some add a further fee of up to £1.50 every time money is spent on the card. Couple that with the load fee and suddenly a £100 spend costs over £104. Ten £100 spends on the card, means the consumer is £40 worse off. Halifax, Santander, Lloyds and TSB all take this approach. NatWest and RBS don't charge this fee, but they do impose a £1 minimum on the load – effectively making small spends on the card cost an extra £1 a time, on top of load fees of about 3%.

## Fig 1. Debit card comparison

Rank	Provider	Load fee (on all spending)	Spending fee per transaction	Cash withdrawal fee	Cost on a £100 spend	Cost on a £100 withdrawal	Cost of £1,000 mixed <sup>3</sup>
1	Norwich & Peterborough Gold Classic	n/a	n/a	n/a	£100	£100	£1,000
2	Nationwide FlexPlus	2%	n/a	n/a (and no load fee)	£102	£100	£1,012
3	Norwich & Peterborough Gold Start	n/a	£0.75	£2	£100.75	£102	£1,019.75
4	Metro Bank (Europe)	1.9% (n/a)	n/a (n/a)	£1 (n/a)	£101.99 (£100)	£102.99 (£100)	£1,021 (£1,000)
5	Nationwide FlexAccount	2%	n/a	£1	£102	£103	£1,022
6	Marks & Spencer	2.75%	n/a	n/a	£102.75	£102.75	£1,027.50
7	HSBC Premier/Advance	2.75%	n/a	n/a	£102.75	£102.75	£1,027.50
8	First Direct 1st Directory	2.75%	n/a	n/a	£102.75	£102.75	£1,027.50

<sup>2</sup> Includes Bank of Scotland, Barclays, Co-op, Halifax, HSBC, Lloyds, Nationwide, NatWest / RBS, TSB.

<sup>3</sup> Mixed spend based on 2 x £200 cash withdrawals, 1 x £200 spend, 20 x £5-£100 spend.

Rank	Provider	Load fee (on all spending)	Spending fee per transaction	Cash withdrawal fee	Cost on a £100 spend	Cost on a £100 withdrawal	Cost of £1,000 mixed
9	NatWest/RBS	2.75% (min £1)	n/a	2% (£2 - £5)	£102.75	£104.75	£1,029 <sup>4</sup>
10	Barclays	2.99%	n/a	£1.50	£102.99	£104.49	£1,032.90
11	First Direct 1st Account	2.75%	n/a	2% (£1.75 - £5)	£102.75	£104.80	£1,035.50
12	HSBC Other Accounts	2.75%	n/a	2% (£1.75 - £5)	£102.75	£104.50	£1,035.50
13	Co-op	2.75%	n/a	2% (min £2)	£102.75	£104.75	£1,035.50
14	Smile	2.75%	n/a	2% (min £2)	£102.75	£102.75	£1,035.50
15	Lloyds Platinum/ Premier	2.99%	n/a	1.5% (£2 - £4.50)	£102.99	£104.99	£1,035.90
16	TSB Platinum/ Premier	2.99%	n/a	1.5% (£2 - £4.50)	£102.99	£104.99	£1,035.90
17	Bank of Scotland	2.99%	£1	1.5% (£2 - £4.50)	£103.99	£104.49	£1,056.90
18	Lloyds	2.99%	£1	1.5% (£2 - £4.50)	£103.99	£104.99	£1,056.90
19	TSB	2.99%	£1	1.5% (£2 - £4.50)	£103.99	£104.99	£1,056.90
20	Santander <sup>5</sup>	2.75%	£1.25	1.5% (min £1.99)	£104	£104.74	£1,059.75
21	Halifax	2.75%	£1.50	£1.50	£104.25	£104.25	£1,062

<sup>4</sup> Based on 10 spends (total £200) charged at the min £1 fee and 10 spends (total £200) charged at 2.75% fee.

<sup>5</sup> If you have an existing Santander Zero current account, these charges do not apply. There is no load fee, spending fee, or cash withdrawal fee. The Santander Zero current account is no longer available to new customers.

## Credit card costs explained

Standard credit cards<sup>6</sup> also add £3 per £100 spent on them abroad. But the real sting is withdrawing cash, as most charge interest from the day the withdrawal is made. Usually, interest is charged from when a statement is issued. Providing the balance is paid by the due date, interest won't be charged.

“ IT COULD COST £10 TO WITHDRAW £100 ABROAD USING A CREDIT CARD ”

Withdrawals don't work this way, making them costlier than spending, even if the balance is always repaid in full. At worst, MoneySavingExpert found it could cost £10 to withdraw £100 abroad using a credit card (with MBNA). At best, it was about £5.

## Specialist credit cards comparison

Some specialist credit cards don't add a load-fee. Spend £100 on the Halifax Clarity, Saga or Post Office credit cards, and it costs exactly that. Cash withdrawals cost slightly more - £1 at the cheapest – but compared with standard credit card rates, this saves around £4 per withdrawal.

Fig 2. Credit card comparison

Rank	Provider	Load fee (on all spending)	Cash withdrawal fee	Monthly cash withdrawal rate	Cash withdrawal interest if fully repaid (APR)	Rep APR	Cost on a £100 spend	Cost on a £100 withdrawal (if fully repaid)	Cost £1,000 mixed <sup>7</sup>
1	Halifax Clarity	0%	0%	1.02%	12.95%	12.9%	£100	£101.01	£1,004.08
2	Saga	0%	2% (min £2)	1.63%	0%	11.9%	£100	£102	£1,014.52
3	Nationwide Select <sup>8</sup>	0%	2.5% (min £3)	2.08%	27.9%	15.9%	£100	£105.08	£1,018.32
4	Post Office	0%	2.5% (min £3)	2.08%	27.9%	17.8%	£100	£105.08	£1,018.32
5	Capital Classic Extra	0%	3% (min £3)	2.53%	34.94%	34.9%	£100	£105.53	£1,022.12
6	Barclaycard	2.99%	n/a	2.08%	0%	18.9%	£102.99	£102.99	£1,029.90

<sup>6</sup> Includes: American Express, Bank of Scotland, Barclaycard, Co-op, Capital One, Halifax, HSBC, Lloyds, MBNA, Nationwide, NatWest / RBS.

<sup>7</sup> Mixed spend based on 2 x £200 cash withdrawals, 1 x £200 spend, 20 x £5-£100 spend.

<sup>8</sup> Card only available to Nationwide FlexAccount, FlexDirect or FlexPlus account holders.

Rank	Provider	Load fee (on all spending)	Cash withdrawal fee	Monthly cash withdrawal rate	Cash withdrawal interest if fully repaid (APR)	Rep APR	Cost on a £100 spend	Cost on a £100 withdrawal (if fully repaid)	Cost £1,000 mixed
7	Virgin Atlantic	2.75%	2% (min £3)	1.6%	20.9%	17.9%	£102.75	£107.35	£1,041.90
8	Co-op	2.75%	3% (min £3)	0.79%	9.9% - 25.9%	9.9% - 15.9%	£102.75	£106.54	£1,042.66
9	Capital One	2.75%	3% (min £3)	2.53%	17.57% - 34.94%	16.9% - 34.9%	£102.75	£107.11	£1,044.94
10	Bank of Ireland	2.75%	2.5% (min £3)	1.87%	24.9%	17.9%	£102.75	£107.62	£1,044.98
11	HSBC Premier	2.99%	2.99% (min £3)	0.94%	11.9%	11.9%	£102.99	£106.93	£1,045.62
12	Halifax	2.95%	3% (min £3)	1.94%	16.9% - 25.95%	16.9% - 19.9%	£102.95	£107.26	£1,046.74
13	Tesco	2.75%	3% (min £3)	2.08%	24.95% - 27.95%	18.9%	£102.75	£107.62	£1,046.98
14	Bank of Scotland	2.95%	3% (min £3)	1.94%	17.9% - 25.9%	17.9%	£102.95	£107.33	£1,047.02
15	Lloyds	2.95%	3% (min £3)	1.94%	17.95% - 25.9%	17.9%	£102.95	£107.33	£1,047.02
16	Sainsbury's	2.75%	3% (min £3)	1.94%	25.95%	16.9%	£102.75	£107.69	£1,047.26
17	Smile	2.75%	3% (min £3)	1.94%	25.95%	12.9% - 20.9%	£102.75	£107.69	£1,047.26
18	NatWest	2.75%	3% (min £3)	2.08%	27.9%	18.9%	£102.75	£107.83	£1,047.82
19	RBS	2.75%	3% (min £3)	2.08%	27.9%	18.9%	£102.75	£107.83	£1,047.82
20	HSBC	2.99%	2.99% (min £3)	1.81%	23.9% - 24.7%	18.9%	£102.99	£107.80	£1,049.06
21	First Direct	2.99%	2.99% (min £3)	1.81%	21.71 - 22.36%	16.9% - 19.9%	£102.99	£107.80	£1,049.06
22	M&S Money	2.99%	2.99% (min £3)	1.81%	23.9% - 25.9%	16.9%	£102.99	£107.80	£1,049.06
23	American Express	2.99%	3% (min £3)	2.08%	27.9%	15.9% - 19.9%	£102.99	£108.07	£1,050.22
24	Santander <sup>9</sup>	2.95%	3% (min £3)	2.21%	29.9%	16.5%	£102.95	£108.16	£1,050.34
25	Asda	2.99%	3% (min £5)	2.08%	27.9% - 29.9%	14.9% - 29.9%	£102.99	£110.07	£1,050.22

<sup>9</sup> Charges don't apply to existing Santander Zero credit cards, which has no load or ATM fees. Rep APR is 29.9%.

Rank	Provider	Load fee (on all spending)	Cash withdrawal fee	Monthly cash withdrawal rate	Cash withdrawal interest if fully repaid (APR)	Rep APR	Cost on a £100 spend	Cost on a £100 withdrawal (if fully repaid)	Cost £1,000 mixed
26	Virgin Money	2.75%	5% (min £5)	2.08%	27.9%	18.9%	£102.75	£109.83	£1,055.82
27	AA	2.99%	5% (min £5)	2.08%	27.9%	16.9%- 18.9%	£102.99	£110.07	£1,058.22
28	MBNA	2.99%	5% (min £5)	2.08%	27.9%	13.9% - 18.9%	£102.99	£110.07	£1,058.22

# Findings & Results

MoneySavingExpert found that for every £100 spent on a specialist debit or credit card, consumers are at least £3 better off. It's not a huge amount, but on a total of £1,000 spent over a week abroad, holidaymakers could be paying up to £62 in charges – 6% of their total holiday budgets.

And that's just for one holiday a year. For frequent travellers, the annual costs quickly mount up, especially for consumers with the worst debit cards. This includes several from the big high street banks – Halifax, Lloyds, NatWest, RBS, TSB, and Santander. The spending penalty they add – or the minimum load fee for NatWest and RBS – makes them the costliest options for holiday spending.

## Debit cards can be the worst way to spend overseas

MoneySavingExpert found that for every £1,000 worth of spending on the card, holidaymakers could be over £60 better off with a specialist credit card such as Halifax Clarity or Saga<sup>10</sup> than using debit cards from the providers in Fig. 1 (on page 4). Even compared with a standard credit card with a load fee of 3%, they would save over £50.

**“ FOR CONSUMERS WHO HAVE A HALIFAX, LLOYDS, NATWEST, RBS, TSB OR SANTANDER DEBIT CARD, PAYING WITH ANY CREDIT CARD WILL ALWAYS COST LESS. ”**

Debit cards are often viewed as a better, cheaper option to credit cards - but for those venturing overseas, this is a costly mistake to make. For consumers who have a Halifax, Lloyds, NatWest, RBS, TSB or Santander<sup>11</sup> debit card, paying with any credit card will always cost less. This is because they add a spending fee of up to £1.50 on every spend made using the card, in addition to other charges.

## Specialist credit cards save consumers on every trip they make

Specialist cards are few and far between, but those that do exist don't add the load fee. Their rates consistently beat foreign currency exchanges, and they're safer than carrying a around cash.

However, for a number of travellers, suggesting they get a credit card to save them money is viewed as a strange concept. This is part of the problem – there's a mistrust surrounding them.

<sup>10</sup> Over 50s only.

<sup>11</sup> Excludes existing Santander Zero account holders. This account is no longer available to new customers.

But used in the correct way, the right card is the best available option. For consumers who are unsure about being accepted, MoneySavingExpert has an eligibility checker tool ([mse.me/travelcred](https://mse.me/travelcred)), giving them a percentage chance of being accepted for certain credit cards.

## Cash withdrawals are always more expensive

The majority of credit and debit cards add an ATM fee when cash is withdrawn abroad. This varies between 1.4% and 5%, but most apply a minimum fee of at least £2, in addition to the 3% load fee.

Cash withdrawals also incur interest, even if they're repaid in full. As soon as money is taken out, interest is applied. This is unlike card spends made in the UK which don't incur charges if a bill is fully repaid in the interest-free period. Consumers fail to realise the true costs of spending abroad in this way – severely denting their pockets in the process.

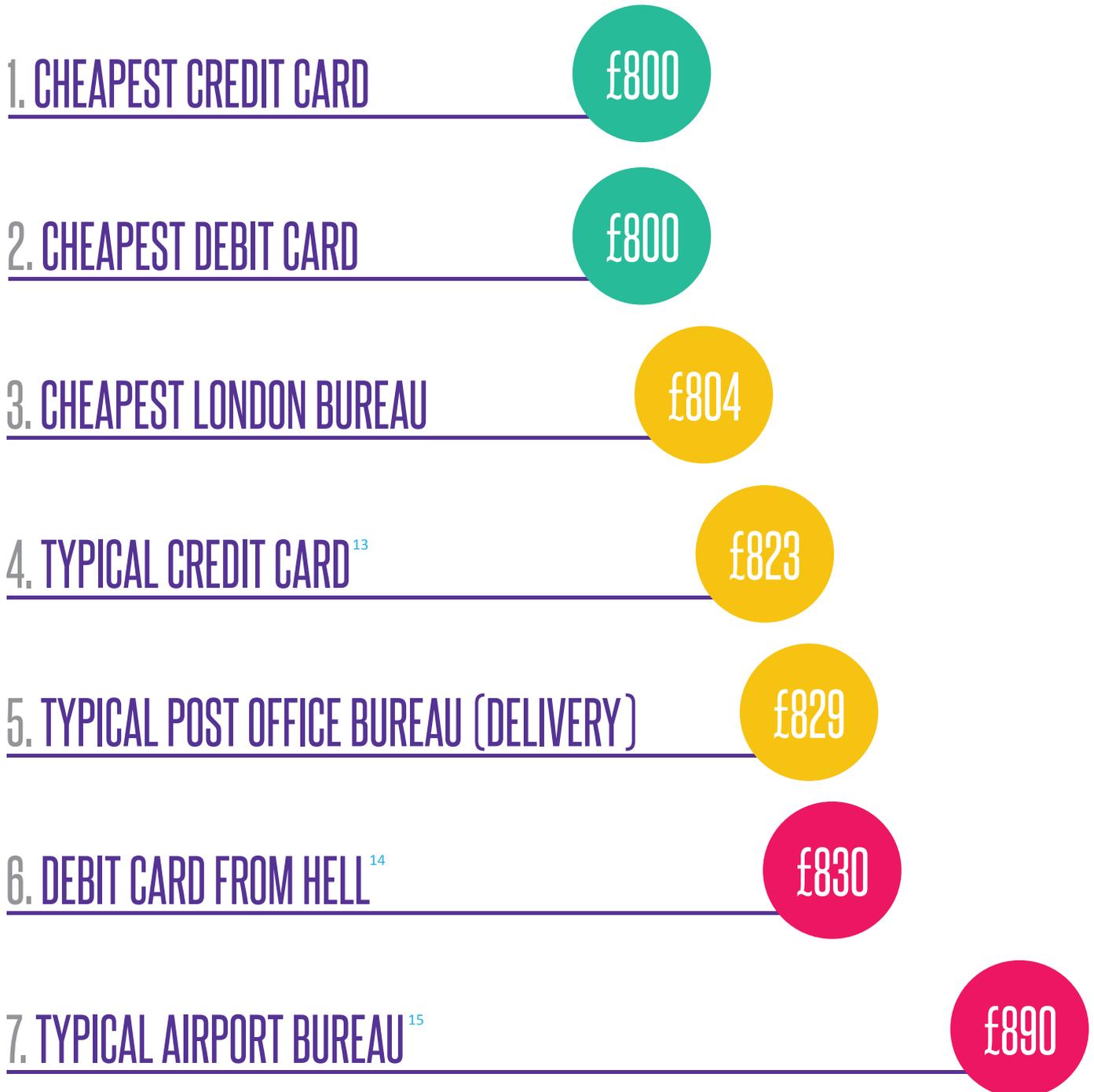
MBNA came out as the most expensive option for cash withdrawals, adding a staggering £10 to a £100 cash withdrawal, including a month's worth of interest<sup>12</sup>. At its cheapest, it adds £3. The amounts aren't huge when viewed on their own, but for travellers making 10 ATM withdrawals over a week to 10 day holiday, it adds £100 or more to the holiday bill.



<sup>12</sup> Assuming the bill is repaid in full by its due date.

## How cards and bureaux compare

The graphic below indicates the estimated costs in GBP on €1,000 spend overseas.



<sup>13</sup> Card paid off in full at the end of month. Using Mastercard's exchange rate of 1.25 and typical 2.99% load fee.

<sup>14</sup> Using Mastercard's exchange rate of 1.25. 10 spends at £100 each. 2.75% load and £1.50 each spend.

<sup>15</sup> Walk-in rate of 1.12 at Heathrow, Travelex.

## Conclusion

Out of the top 25 debit cards, only three didn't add a load fee of 2.75% to 3%. Eight out of 25 added an additional spending charge, making them one of the worst overseas spending options for consumers, costing on average £35 more per £1,000 spent than specialist credit cards. Only getting cash from the airport is more expensive.

Some added a staggering £60 to a £1,000 spend abroad (based on a mixture of ATM withdrawals and spending, see Figs. 1 and 2), while even the cheapest debit card with a load fee added £12 in charges. This is compared to zero charges on the Norwich & Peterborough Gold Classic and Metro Bank on European spending. Existing Santander Zero<sup>16</sup> debit card holders also benefit from fee-free overseas spending.

When it comes to cash withdrawals, credit cards proved to be the most expensive choice for holidaymakers, with some adding £10 per £100 withdrawn, including a month's interest (providing the balance is repaid in full).

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<sup>16</sup> Not available to new customers.

# Appendix

## Fig 3. December 2011 OFT Super-Complaint

In December 2011, the Office of Fair Trading upheld a super-complaint from lobby group Consumer Focus into the UK travel market and the hidden charges incurred by consumers. As a result, banks, building societies and credit card providers agreed to make changes to the way consumers were charged overseas using their debit or credit cards.

By the end of 2012, they scrapped fees charged on buying currency with a debit card in UK bureaux de change. By the end of last year, they promised to split out charges on statements, showing exactly what consumers are charged, clearly broken down into what the fees are for. Previously only the total transaction cost, inclusive of all fees and charges, was shown.