

# Safer Ways To Pay



The Consumer Council's guide to making payments.



Department of  
Enterprise, Trade  
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Trading  
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# Safer Ways To Pay



## The Consumer Council's guide to making payments



### Introduction

The method of payment you use can affect the level of protection you have when:

- Paying deposits;
- Shopping on the high street;
- Shopping online; and
- Shopping abroad.

This guide will give you greater confidence around the protection different payment methods provide.

### Paying by credit card?

If you are buying a single item costing between £100 and £30,000, you should consider paying by credit card as it gives additional protection if something goes wrong. This protection is known as **equal or joint liability under Section 75, Consumer Credit Act 1974**. Whether you use your credit card to pay the full amount or even just a small part, by law your credit card company must help in cases of faulty goods, non-delivery or if the retailer goes out of business.

You can get help making a claim from your credit card company by downloading a sample claim letter from The Consumer Council website. Visit [www.consumerCouncil.org.uk](http://www.consumerCouncil.org.uk)

or [www.nidirect.gov.uk/consumerline](http://www.nidirect.gov.uk/consumerline) or telephone 0800 121 6022 for a free copy.

Also see Prepaid Credit Cards on page 8.

**Remember:** If you're paying by credit card, try to pay the amount off in full when you get the bill to avoid paying interest.



### Paying by other types of card

If you use your credit card for orders costing less than £100, or your debit card for any amount, you may be able to use the card provider's **Chargeback** process. This process helps you claim back your money in cases where goods do not arrive, arrive damaged, are not what had been described or the trader has gone out of business.

Chargeback applies to all debit cards although exact rules may vary between Visa, Maestro and American Express networks. It is a voluntary process that card providers sign-up to. However, it is not as strong as credit card protection. Therefore, you should check the precise terms of their Chargeback agreement.

Under Chargeback, claims must be made to the credit or debit card provider within 120 days, starting the date you become aware of a problem. Unfortunately there are no guarantees that your bank will be able to recover your money, particularly if the trader has gone out of business.

If you have trouble making a Chargeback claim via your card provider, ask to speak to a supervisor or manager, who may be able to offer additional support or information. If your Chargeback claim is still rejected, you can take your case to the Financial Ombudsman Service (0800 023 4567) within six months of your final correspondence with the card provider.

**Remember:** You cannot claim against the credit card company if you used your credit card to withdraw cash to pay for goods or services.



## Charges

From January 2018, businesses cannot charge customers for payments made by credit or debit cards.

## Paying by online payment processor

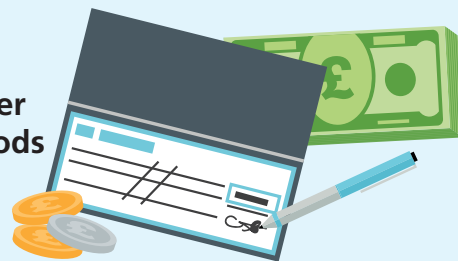
Many websites use third party payment processors such as PayPal, Google Checkout, or WorldPay. You need to be aware that if you use your credit card to purchase items via these payment processors, you no longer have the joint liability protection under Section 75 of the Consumer Credit Act 1974 for goods costing between £100 and £30,000.

Online payment processors have their own protection arrangements but these are not covered by law. Please ensure you have read their terms and conditions carefully.

If you are unsatisfied with the way your claim is being handled by any e-money firm, you can complain to the Financial Ombudsman Service (0800 023 4567).

## Paying by cash or cheque?

**There is no payment protection if you pay by cash or cheque. If you pay by these methods and the trader goes out of business before the goods are delivered, you could end up with nothing.**




## How can you reduce the risk when paying by cash or cheque?

1. If possible, pay a small deposit for the item and get a receipt.
2. Confirm that you will pay the balance the day before, or as close as possible to the delivery date.
3. If you are in a shop, and they insist that you pay in full before delivery, write your name and address on the packaging if the item is in stock. This will mean that if the trader goes out of business, you may still receive your goods.
4. If the goods are not in stock, get written confirmation from the business of the expected delivery date.
5. Think carefully before deciding to pay the full amount in advance, especially if there's a long delivery period.

## Paying by Contactless Card

### What are contactless payments?

Contactless payments allow you to make fast and secure payments for amounts up to £30 just by touching your card on a card reader. You can make payments with debit, credit, or prepaid cards which have the following contactless symbol: 

Other methods of contactless payment include mobile phone apps and wearable devices (wristbands and watches).

### Are contactless payments safe?

- They offer the same level of fraud protection as standard Chip and Pin transactions.
- You no longer have to enter your PIN for purchases of £30 and under. However, from time to time, you may be prompted to enter your PIN as a security measure. This is to verify you are the authorised cardholder and are in possession of your card.
- If your card is lost or stolen you may be protected against fraudulent activity and will not be liable for any losses incurred. However, if you have given your card to someone, you could be found liable.
- Going contactless does not mean you should go without a receipt. Always accept the offer of a receipt, or request one if you are not automatically given one. This will make it easier to return goods if necessary.
- If you are not comfortable using a contactless card, or have concerns about fraud, contact your bank to enquire about their 'opt-out' service. Most banks offer this facility, but terms and conditions may vary.

**Tip:** If you carry more than one card in your purse or wallet, take your contactless card out to make the payment. This will ensure the correct card is debited.



## Paying by Direct Debit

A Direct Debit is a payment that you must authorise a company to take from your account on a regular basis on agreed dates. The amount can vary but the payee (the company or person you are paying) must notify you in advance each time this happens.

Paying household bills by direct debit can help you get a discount, for example, on gas, electricity or phone bills. This method of payment is convenient as bills are paid automatically. You will need to keep an eye on your bank account to make sure you do not use your overdraft or find payment has not been made due to lack of funds.

### The Direct Debit Guarantee

This is designed to protect consumers in the following way:

1. If there are any changes to the amount, date, or frequency of your Direct Debit the payee company must notify you in advance.
2. If a payment error is made by the payee company, or your bank, or building society, you are entitled to a full and immediate refund of the amount paid. If you receive a refund you are not entitled to, you must pay it back when the payee company asks.
3. You can cancel a Direct Debit at any time by simply contacting your bank or building society. Written confirmation may be required. You should also notify the payee company.

## Paying by Continuous Payment Authority (CPA)

CPA is when you give your credit card or debit card details to a payee company, for example for a gym membership, or a magazine subscription, and authorise them to take regular payments.

CPA is often confused with direct debit. CPAs do not give the same legal guarantees as direct debits or standing orders but do give the payee company more control about when and how much it takes from your account.

In most cases, regular payments can be cancelled by telling the payee company you wish to cancel this arrangement; however, you also have the right to cancel these payments with your credit or debit card provider.

**Remember:** You will still be responsible for any outstanding money that you owe.

## Paying when you are abroad

### A credit card can be useful when buying goods abroad

Save money by shopping around and finding a credit card that does not charge a foreign currency loading fee. Tell your credit card company before you go abroad so they do not block your credit card. Make sure you pay the bill in full when it arrives to avoid paying any interest.

### Prepaid Credit Cards

You can order these online and on the high street. Shop around for the best deal as there can be a range of fees for topping up your funds such as an inactivity fee, a fee for each transaction and cash withdrawals. Also check the exchange rates offered as some deals are better than others.



The security of a prepaid card means you can not spend more than you have loaded on the card, and if you are a victim of card fraud, or theft you will not lose everything. If your card is lost or stolen, report it right away so the company can block it and send you a new card.

These cards can also be a useful option if you do not have a good credit score and cannot get a standard credit card.

### Using a debit card to pay for goods abroad

Check the terms and conditions of your bank account before you use your card abroad. There are several charges to watch out for such as a currency conversion fee or a retail transaction charge. This could be in the region of 5% of the total purchase amount. Tell your bank before you go abroad so they do not block your debit card.

### If they ask "want to pay in pounds or a foreign currency?"

If you choose pounds then the retailer does the currency conversion. If you choose the local currency, your card provider makes the conversion. You need to know your provider's exchange rate and then ask the retailer what their rate is to compare deals.

### Withdrawing cash abroad

Check the terms and conditions of your bank account before you travel. You might expect your debit card to offer free withdrawals, but many charge a fee for each transaction. Most have a minimum fee, so it is better to draw out larger amounts rather than many small ones each day, although you will then have to keep this cash safe.



## Organising foreign currency

Shop around for the best rate. Foreign currency is available in banks, from the Post Office, online, local shops and bureaux de change. You are a captive customer if you purchase foreign currency at an airport or ferry terminal, so you may not get the best rates.

Some of the best deals can be found online, but check delivery charges before ordering, and remember the protection you have if you pay by credit or debit card.

Unfortunately, if you transfer money from your bank account to a foreign currency exchange company, and the company goes out of business, there is no protection.

## Taking out a credit agreement?

A credit agreement is a loan usually arranged for buying things like cars, kitchens, etc. Some customers organise these themselves but more often the trader will arrange one for you.

If the trader arranged the credit agreement for goods costing between £100 and £30,000 and it goes out of business, you may have rights against the finance company that the credit agreement is with, under The Consumer Credit Act 1974.

**However, if you arranged the credit agreement yourself then you have no extra rights, and you will be unlikely to get your goods or money back if the trader goes out of business.**



**Remember:** By law (The Consumer Credit Act 1974), you must be given a copy of the credit agreement when it is signed.



It is important to make sure you:

- Read the terms and conditions of the agreement carefully.
- Keep the copy of your credit agreement safe so that you have the name, address and contact details of the finance company in case of problems later.

**Remember:** If you have received your goods and the retailer goes out of business you must still pay the finance company the full amount for your goods under the terms of your credit agreement.



## Using a savings club

Savings clubs are not regulated by the Financial Conduct Authority. This means you cannot take complaints to the Financial Ombudsman Service, nor can you get money from the Financial Services Compensation Scheme if your savings club goes bust.

If you decide to use a savings club:

- Ask the business how your money will be protected. For example, if you lose or damage your savings card or booklet, can you still access your savings?
- Ask the business if they have insurance in place which protects savers in the event of **insolvency** (See 'What happens if a trader goes out of business?' on page 14); and
- Ask the business for a copy of their terms and conditions and read these carefully.



**Remember:** Keep your savings card or stamp booklet safe. If it is lost or stolen it may not be replaced and there normally is not a record kept of how much you have saved.

## Buying an extended warranty?

If you are buying an extended warranty, make sure you:

1. Read the terms and conditions carefully and check what the warranty actually covers.
2. Check that your home insurance does not already provide similar cover.
3. Shop around and look at various insurance policies and extended warranties and get the best price.
4. Get a record of your policy number if you do not get the warranty document straight away.
5. Check the warranty document has the business's contact details.
6. Consider if you want to pay the full amount as paying monthly can be expensive.
7. Get a receipt for any payments you make.



As long as the warranty company is independent of the trader and is still in business, these steps should make it easier to claim against the warranty if the trader has gone out of business.

Do not feel pressured into taking extended warranty cover - you can go back afterwards or look around for a cheaper or better policy elsewhere.



Be aware you already have protection under the Consumer Rights Act 2015. By law goods must stay in good working condition, where reasonable, up to six years after purchase. For more information visit

[www.consumerCouncil.org.uk](http://www.consumerCouncil.org.uk)



## What happens if a trader goes out of business?

When a trader goes out of business, a licensed insolvency practitioner is normally appointed to handle the business's affairs and deal with all creditors, including customers and suppliers. If you are owed money by the company you become known as an "unsecured creditor".

**Insolvency** means that a company is unable to pay its debts or that it does not have enough assets to cover its debts.

A **licensed insolvency practitioner** is a person licensed by one of the Chartered Accountancy bodies, the Law Societies, the Insolvency Practitioners' Association or the Secretary of State for Business, Innovation and Skills. He/she is usually an accountant or a solicitor. Only a licensed insolvency practitioner can be appointed to deal with the affairs of an insolvent company.

## What do insolvency practitioners do?

The insolvency practitioner will work to get the best result for everyone involved and will respond to your queries as soon as possible. This can take some time, so it is important to be patient but keep in regular contact.



## What can you do when a trader goes out of business?

1. Find out which insolvency practitioner has been appointed to the business. This should be advertised in the local paper within 15 days of the company folding. You may also see or hear about it on the news.
2. Many insolvency practitioners set up a helpline and an information website for customers. Remember, phone calls can be expensive, especially from a mobile phone, or at peak times. It may be cheaper to email, or write a letter (taking a copy for your records) to the insolvency practitioner.
3. Write to the insolvency practitioner outlining your circumstances. If you have not received your goods you should tell them:
  - What goods were ordered;
  - When they were ordered;
  - How much they cost;
  - When and how you paid;
  - The address of the shop where the goods were bought;
  - Details of the finance company involved if you have a credit agreement arranged; and
  - The name of the member of staff you dealt with, if you have it.
4. Keep in touch with the insolvency practitioner. If you move house, tell them your new address.

Visit [www.consumerCouncil.org.uk](http://www.consumerCouncil.org.uk) and search for Insolvency Practitioner claim letter template or [www.nidirect.gov.uk/consumerline](http://www.nidirect.gov.uk/consumerline) or telephone 0800 121 6022.





**Remember:** Do not forget to send a photocopy of your receipts to the insolvency practitioner. It is important you keep hold of the original copies and a record of all letters, emails, and phone calls made to the insolvency practitioner.



These guidelines should not be considered as legal advice. The legal position and circumstances of each case may vary and anyone who requires legal advice should consult a solicitor.

If the trader has entered into insolvency it will be the appointed insolvency practitioner who ultimately deals with your query.

Note: Every effort has been made to ensure that the information in this leaflet is correct at the time of printing.



## Other resources available upon request:

- Spending diaries
- Home budget planners
- Christmas budget planners
- Guide to shopping safely online
- Shoppers rights cards
- Receipt wallets
- Scams: Know the signs to stop the crime
- Borrowing money leaflet.

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**Trading  
Standards  
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Floor 3, Seatem House  
28-32 Alfred Street  
Belfast  
BT2 8EN



Complaints line: 0800 121 6022



Tele/Textphone: 028 9025 1600



Fax: 028 9025 1663



Email: [info@consumercouncil.org.uk](mailto:info@consumercouncil.org.uk)  
[complaints@consumercouncil.org.uk](mailto:complaints@consumercouncil.org.uk)



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