



Make your money go further

Get the best deals on foreign currency and when buying goods abroad

WHAT YOU GET FOR YOUR MONEY

Total cost for €500 on 2 May 2008

CHEAPEST

CHEQUEPOINT £400



£403.98



SAGA £404.47

Travelex £404.47



£404.86

MOST EXPENSIVE

Thomson £414.56

Going Places £414.74

POST OFFICE £419.36

ice £419.67
* (T1 Heathrow)

First Choice ** £420.18



* includes 1.5 per cent commission ** includes £5 delivery fee

Around 27 million of you travel abroad each summer. But this year, the pound in your pocket will be worth much less against many currencies than a year ago.

Last June, a pound was worth €1.5 (euros). As we went to press, it had fallen to €1.24. This has a big effect on your spending money. If you took €500 abroad this year it could cost up to £68 more than last June.

With the pound falling sharply in value, especially against the euro, it's more important than ever to get the most for your money.

We'll offer tips on the cheapest places to get your holiday currency, taking money out of a cashpoint abroad, and buying goods while you're on holiday.

BUY CURRENCY BEFORE YOU GO

It's always a good idea to have cash on you when you arrive in a foreign country. Plastic is widely used and convenient, but cash is the only method of payment you can guarantee every shop will accept.

Carrying cash also saves having to find a bank or cashpoint when you're weighed down with luggage and you look like an obvious and vulnerable tourist.

You can buy foreign currency everywhere, from supermarkets to online exchanges. Our snapshot survey suggests some differences in available deals.

Buying cash

We contacted 25 banks, bureaux de change, travel agents and currency providers at UK ports and airports to find how much it cost to buy €500 in cash and traveller's cheques.

In the past, providers such as M&S and the Post Office offered the best deals for currency because they were commission-free. However, we've found that most providers now don't charge commission, so you should go for the place that offers the best rate for your money.

We found sharp differences between the places that offer best value and where Which? members are buying currency.

For example, one in ten Which? members told us they buy currency at an airport bureau de change – a poor deal.

We were quoted £419.67 by Currency Express at Heathrow Airport (Terminal 1). Worst of all though, was First Choice, at £420.18. You could save £20 by going for the best high-street deal, instead.

Where you buy your currency

The choice of Which? members

Post Office	40%
Own bank	27%
Marks & Spencer	21%
Travel agents	14%
Airport bureau de change	11%

Figures total more than 100% as respondents were able to choose more than one answer

HIDDEN EXTRAS

Paul Rowbottom 61, retired IT specialist

Paul ordered foreign currency from Travelex, a month before his holiday in the Canaries.

He paid with his Barclays Connect debit card, and was surprised to see a £4.50 charge added to the receipt. This fee was charged because Paul had not bought the currency from his bank.

Paul told us: 'I don't understand why this was treated any differently by Barclays than any other card purchase. The fact that I can avoid this fee by drawing money out of a cash machine and paying in cash makes a mockery of paying by debit card.'

Barclays refunded the charge as a one-off goodwill gesture. A Barclays spokesman told us: 'We do make it clear in our terms and conditions and on statements that any cash transaction other than through an ATM will incur a fee. As a Barclays customer you can avoid this by using Barclays' commission-free foreign exchange, which can be delivered free to your home.'



Top tips

A quick reminder of what to do



POSTCARD



- ☒ **Buying currency**
Don't pay commission fees, shop around for the best rate
- ☒ **Barter**
- ☒ **Taking money out abroad**
Use a debit card
(charges are lower than credit cards)

- ☒ **Get a Nationwide Flex Account**
and avoid charges altogether

- ☒ **Buying goods abroad**
Pay in local currency
- ☒ **Use a Best Buy credit card** for bigger purchases

correspondence this side only

address only this side

The best deals

Chequepoint offered the cheapest deal. Saga's home delivery service, Currency Express and Travelex (both online, with branch pick-up available) were also good value, we found.

Cash for cash

If you use a debit card to buy currency, you could be charged between 1.5 per cent and 2.5 per cent unless you're buying from your own cash provider.

The Post Office and M&S no longer offer the best deals

Banks impose this charge to deter their customers from buying their currency from other providers (for more on this see 'Hidden extras', above). Avoid these charges by paying in cash.

No bank offered us a particularly good deal and some would sell only to their existing customers.

To rub salt into the wound, they wouldn't even negotiate on their rates. This is in stark contrast to some of the other providers that we surveyed.

Checklist

How to get the best deal

■ Barter

We found that bureaux de change and travel agents were more willing to negotiate or match the exchange rate offered by other providers.

■ Banks inflexible

In contrast, we found banks offered poor rates and refused to negotiate. Some sold only to existing customers.

■ Charges

Watch out if you're buying currency online. Most providers will make you pay by card and you'll get caught by extra charges from your bank (see 'Cash for cash', below left).



■ Don't leave it until the last minute

There will be fewer places to change money at the airport. Exchange rates are usually worse and you could be charged commission. For example, Currency Express is one of our best bets if you pre-order online. But its outlet at Heathrow Airport Terminal 1 quoted us the second worst price: £419.67.

■ Take local currency

This will cover immediate outgoings, such as taxis and tipping porters, and save you having to trek around looking for a cashpoint.

■ Security

Tell your bank when you are travelling to avoid your account being frozen.

■ Daily limit

Check your daily cash withdrawal limit if you intend to take out a sizeable sum.

SHORT-CHANGED

Peter Williams 62, freelance engineer

When Peter was on a trip to South Africa, he made a purchase on an MBNA credit card but changed his mind while in the shop and got a refund on the £1,433 purchase.

Peter had a nasty surprise when he got home and checked his credit card statements. He had been refunded £79 less than he had originally paid.

Peter contacted MBNA and was told there was a 2.75 per cent commission fee every time money is converted. This accounted for most of the £79 charge, but Peter also lost out because the buying and selling rates of pounds sterling and rands had changed in the few minutes between the purchase and refund.

Peter told us: 'I was shocked that my purchase had cost me so much, particularly as I immediately had it refunded.'

MBNA promptly returned the money as a gesture of goodwill. It said that when a customer has a query on their account, it tries to resolve it in the best way it can in the circumstances. This time it felt a refund was appropriate.



Buying traveller's cheques

One in five Which? members uses traveller's cheques. You can use them only in conjunction with your passport. If you lose cheques, they can be replaced – provided that you have their reference numbers. As they're available in foreign currencies, they can be used when cash isn't convenient. You may be able to use them to pay a hotel bill, for instance. The advantage of this is that you might otherwise have to cash them in advance and risk getting stung with commission charges.

We checked how much it would cost to buy €500 worth of traveller's cheques.

We found that Marks & Spencer offered the best deal by far: £377.56 for €500. The next best was Currency Express at £404.

When thinking about whether to buy cheques in sterling or euros, bear in mind you'll sometimes have to pay commission on sterling cheques (up to 3 per cent), but not on those in euros.

Prepaid currency cards

These are likely to appeal to people who don't want to carry too many notes or bank cards. Parents with children on school trips might consider them useful.

They work like pay-as-you-go mobile phone cards. You buy them direct from providers, then load money on to the card

and can spend only that much. The exchange rate – if you are loading foreign currency on to the card – is set by the card provider.

We have a number of concerns with pre-paid cards. Most are expensive to use. They cost up to £10 and you'll have to pay a monthly fee of around £5 or around 3 per cent of every transaction.

Most cards charge £1 for each withdrawal from UK or foreign cashpoints, but some charge £3 or more.

Many also have an expiry date – not ideal if you use it only once or twice a year.

If you are interested in such a card, the CaxtonFX card is better than most. The £10 you pay for it is added to its balance and there is no monthly fee.



More than four fifths of Which? members buy goods on credit cards while abroad

BUYING GOODS ABROAD

More than four fifths of Which? members buy goods abroad on credit cards. If you want to shop abroad, eat out or book accommodation in advance, here are some simple steps to follow.

Avoid fees

Putting goods and services on plastic is convenient, but can be costly. If you don't have the right card you may pay a 'foreign exchange loading fee'. This is typically 2.75 per cent of the cost of the item. Avoid the charge by using a Best Buy credit card for purchases. Abbey, Nationwide, the Post Office and Thomas Cook all have cards that don't charge for any foreign transactions.

Saga's card doesn't have a charge if used in the EU, but charges one per cent

BEST BUY CREDIT CARDS FOR PURCHASES MADE ABROAD	BORROWING RATE APR (%)	FOREIGN EXCHANGE LOADING FEE	
		EU (%)	WORLDWIDE (%)
POST OFFICE Platinum MasterCard ^a	15.9	0	0
NATIONWIDE BS Gold Visa ^a	15.9	0	0
THOMAS COOK Visa ^b	17.9	0	0
ABBEY Zero MasterCard	18.9	0	0
SAGA Platinum Visa	15.9	0	1
AVERAGE RATE	16.2	range from 2-3 per cent	

^a Also available as a standard classic card (17.9% APR) ^b Currently not a member of the Banking Code

elsewhere. Even with this charge it's better value than most cards.

Paying for goods and services with a recommended credit card will offer protection if something goes wrong.

Local currency

When you pay for products and services with a card, it's usually better to pay in the local currency.

This is because foreign retailers often use the money market's own currency change rate, called Dynamic Currency Conversion (DCC), to establish the exchange rate, which often means you end up paying more than you would if your bank was setting the rate. Visa says you should always be given the option of paying in the local currency.

Check before you pay that the sale will be in local currency rather than sterling.

A spokesman for Visa Europe said: 'If the cardholder chooses DCC, additional information including conversion rates and any fees must be provided on the transaction receipt.'

'If any consumers experience problems with DCC when using their card abroad, they should contact their card issuer when they return.'

Sombreros to fine wine

There was a time when a sombrero, some holiday snaps, and perhaps a stuffed donkey or two was the most many of us came back from holiday with.

Now it's more common to bring back jewellery, fine wines and other luxury items. It can even be worth paying for more expensive goods such as antiques to be delivered to your home when you get back.

Legal protection

It's far better to buy goods, particularly more expensive purchases, with a credit card rather than a debit card.

With a credit card, you have legal protection which may give you a refund on damaged, faulty or undelivered goods costing £100 to £30,000. Keep receipts.

This protection does not include goods bought with debit cards, prepaid currency cards, traveller's cheques or cash. Last year it was established that the Consumer Credit Act, which protects credit card purchases, covers foreign and online transactions.

Import duty

If you bring back goods that are worth a total of more than £145, you must pay

Taking out cash abroad

You won't find many cashpoints if you're travelling in places such as Cuba or rural Uganda. But withdrawing money is simple in most countries these days. Here are our tips for ensuring you get the best deals

Where to find a cashpoint

Check the websites of Visa, American Express and MasterCard to find the exact location of their cashpoints around the world.

Contact your provider

Check your card can be used in the country you are visiting. Tell your provider that you will be using it there. Some cards, such as Maestro, may not work outside the EU.

Card fraud is also an issue to bear in mind – it makes sense to check your balance regularly when abroad.

Don't use a credit card to take money out

You'll pay charges and higher interest. The credit card provider imposes the handling fee. One in ten Which? members told us that they use a credit card to take money out.

Don't pay charges

Avoid debit and credit card providers that charge you for spending when you're abroad. Most card providers charge you what is called a foreign exchange loading fee when you're taking money out and making purchases. This is typically 2.75 per cent of the transaction – and that may not be all you have to pay. Here are the charges that the big banks impose:

Lloyds TSB 2.99 per cent and a service charge of £2 to £4.50 every time you take money out.

NatWest 2.75 per cent and a service charge of £2 to £5 for each withdrawal.



Barclays 2.75 per cent and a service charge of between £1.50 and £4.50.

HSBC 2.75 per cent and a service charge of £1.75 plus.

Our Best Buy debit card

The solution is to get a Nationwide Flex Account current account. The debit card you get has no loading fee or service charge for being used abroad, and is our one debit card Best Buy.

More than one card

It makes sense to take a credit and debit card with you, in case a cashpoint swallows one. Keep a copy of your card and bank's contact details (separate from your cards) so you can cancel them if they are stolen.

import duty, unless the goods are covered by your EU tobacco, alcohol and perfume allowance.

You must declare these items in the red channel going through the airport. If you don't, you will be breaking the law.

To avoid confusion over the cost of items, keep your receipts. And never bring back prohibited goods, such as ivory.

It's better to buy expensive goods with a credit card

Contacts

Abbey 0845 765 4321
www.abbey.com

Chequepoint 020 7225 4600
www.chequepoint.com

Currency Express 0870 850 5091
www.iceplc.com

Nationwide 0800 302010
www.nationwide.co.uk

The Post Office 0845 850 0900
www.postoffice.co.uk

Saga 0800 904 7236
www.saga.co.uk

Thomas Cook 0870 750 0119
www.thomascook.com

Travelex 0870 333 0617
www.travelex.com

OUR RESEARCH

We contacted 11 high-street banks and building societies, six bureaux de change, including three at ports and airports, six travel agents, Marks & Spencer and the Post Office to compare the best rates, commission and charges. All were asked how much it would cost to buy 500 euros in cash and traveller's cheques. We contacted them on the morning of 3 April 2008.

We also surveyed 4,119 Which? online panel members in January and February 2008 to ask them how they bought their foreign currency.