



PAY IN LOCAL CURRENCY TO GET THE BEST RATE

Veronica Benjamin 56, retired

Q When I'm paying by debit or credit card, should I pay in the local currency or sterling, if given the choice?

A The local currency. When you pay by card, the transaction is normally made in the local currency and your bank converts it to sterling. But increasingly, foreign retailers and their banks are making the conversion at the point of sale. You pay their rate and not your card issuer's rate, and this is likely to be more expensive.

Be vigilant. The conversion may be done without your knowledge. This happened to reader Veronica Benjamin: 'We were brought a bill which had already been converted to sterling, clearly showing the added commission and unfavourable rate of exchange.'

You should always be given a choice and if you're refused this, tell your bank or card issuer when you return home. Visa told us: 'We're actively working to ensure our rules on currency conversion are being properly applied across Europe.'

Don't waste your holiday money

Last year people in the UK spent £29.5 billion while on holiday. Get more for your money this year – check our guide for the best ways to pay

Q Is it cheaper to use a credit or a debit card to take out money at cash machines abroad?

A Debit cards are cheaper but you'll usually still pay fees. Most banks charge a handling fee of 1.5 per cent (minimum £1.50) on debit card withdrawals and 2 per cent (minimum £2) on credit card withdrawals. Fees don't stop there. Almost all debit and credit card providers add a 'foreign-exchange loading' fee (typically 2.75 per cent) to the usual exchange rate, to both cash withdrawals and purchases. Cash withdrawals on credit cards attract interest immediately. Nationwide's debit card is the only one not to impose any of these fees and its exchange rate is in line with that of other providers. See tables, opposite, for Best Buys.

Q Should I bother taking travellers' cheques with me?

A You should if you're heading somewhere remote, where cards may not be readily accepted and there are few cash

Marks & Spencer, NatWest and Travelcare offered the best rates on euro travellers' cheques

machines. Check a guidebook for your chosen destination to find out which currency to take your cheques in. In some countries you may be charged a big exchange fee for each cheque, so it could be cheaper to buy larger denominations. You could take travellers' cheques as a back-up for more developed destinations, too, in case you lose your credit or debit cards.

When we analysed the cheapest places to buy euros and euro travellers' cheques we found that companies offering 0 per cent commission on foreign currency and cheques also offer competitive exchange rates. Marks & Spencer, NatWest and Travelcare offered the best rates on euro travellers' cheques.

A new addition to the market is prepaid cards. You use these in the same way as credit or debit cards, but you preload them with currency. But they can be expensive, so are best avoided. You often have to pay for the card, pay to load the card with currency and pay to withdraw cash.

Q If I load money on to my credit card before I go on holiday, will it cost me less to withdraw it when I am abroad?

A No. The only advantage is that you won't be charged interest immediately on cash withdrawals. You'll still have to pay a cash withdrawal fee and, with only a couple of exceptions (see credit cards table, right), a foreign-exchange loading fee.

Q I heard that if I buy something on my credit card on holiday that turns out to be faulty, the credit card company can help. Is this true?

A Yes. If you've used a credit card to buy goods or services costing between £100 and £30,000 that aren't as described, or later don't work, you have a claim against the credit card company as well as the retailer. This is your right under section 75 of the Consumer Credit Act and it applies to purchases made both in the UK and abroad.

CHEAPEST CARDS TO USE ABROAD

CREDIT CARDS	FOREIGN-EXCHANGE LOADING		CASH WITHDRAWAL FEE	
	EUROPE (%)	REST OF WORLD (%)	%	MINIMUM (£)
NATIONWIDE	0	0	2	2
SAGA	0	1	1.5	1.50
LIVERPOOL VICTORIA	0	2.75	1.5	1.50

DEBIT CARDS	FOREIGN-EXCHANGE LOADING		CASH WITHDRAWAL FEE
	EUROPE (%)	REST OF WORLD (%)	(£)
NATIONWIDE	0	0	0
NORTHERN ROCK	0	0	1.5

USING THE TABLES

The tables show the cheapest cards to use abroad. Foreign-exchange loading is a

fee built into the exchange rate you get each time you use the card abroad. Most card providers charge a

loading fee of up to 2.75 per cent. All credit cards and most debit cards also charge a cash withdrawal fee.

A growing number of debit card, but not credit card, providers charge a flat fee on purchases, too.

Cash and cheques

Cheap places we found for euros and travellers' cheques

Currency	Travellers' cheques
Marks & Spencer	Marks & Spencer
Thomas Cook	NatWest
Travelcare	Travelcare

NOTES

We carried out our mystery shopping on 17 May 2006. Our recommendations are based on exchange rates on this date. We asked for rates when buying €500 cash and €500 travellers' cheques from a branch. All companies offered 0 per cent commission.



AVOID AN EXTRA FEE FOR USING A DEBIT OR CREDIT CARD

Nic Redshaw 36, chartered engineer

Q Should I use a debit or credit card to buy foreign currency and travellers' cheques?

A It's best to use cash for the purchase if possible, so that you don't end up paying a fee.

Which? member Nic Redshaw found this out the hard way when he spotted a £4.50 'cash charge' on his statement after he bought £400 in euros from the Post Office with his Lloyds debit card. Most credit cards, Visa debit cards, Maestro and Switch

debit cards treat currency and travellers' cheque purchases as a cash withdrawal and charge a fee. Check how much your card issuer charges before using your card to buy currency and travellers' cheques.

'I was annoyed because I later found out that I wouldn't have been charged the fee if I had bought my currency from Lloyds,' Nic said. 'The main reason I bought it before my trip was to avoid paying fees for withdrawing cash while away.'

'I was annoyed because I wouldn't have been charged the fee if I'd bought from Lloyds'

Checklist

Tips to help you plan your holiday finances and enjoy a stress-free trip

■ **Plan ahead** If you're taking out a new credit card or opening a new bank account to get a Best Buy card, allow six weeks.

■ **Cash machines** Check whether there are cash machines at your destination by visiting www.mastercard.com/uk and clicking on 'cardholder services' (for MasterCard credit cards and Maestro debit card) and www.visaeurope.com and clicking on 'find a cash machine' (for Visa debit and credit cards).

■ **Expiry date** Check expiry dates for each card.

■ **Pin** Learn the Pin for all cards.

■ **Mixture of methods** Take a mixture of cash, cards and travellers' cheques, and don't carry them all together in case they are lost or stolen.

■ **Emergency numbers** Make a note of the phone numbers for your bank and credit card company, and serial numbers of travellers' cheques. Keep these separate from your purse or wallet. You could email them to an account you can access at your destination.

■ **Avoid fees** Don't use your credit card for cash withdrawals.

■ **Read receipts** Don't sign a receipt or enter your Pin before checking which currency you have been asked to pay in.

Contacts

Liverpool Victoria
0800 134 134
www.liverpoolvictoria.co.uk

Marks & Spencer
0870 600 3502
www.marksandspencer.com

Nationwide
0800 302010
www.nationwide.co.uk

NatWest
0800 200 400
www.natwest.com

Northern Rock
0800 520 540
www.northernrock.co.uk

Saga 0800 214836
www.saga.co.uk

Thomas Cook
08705 666 222
www.thomascook.com

Travelcare
0870 906 5813
www.travelcare.co.uk