



Notes from abroad

Should you buy all your foreign currency before you go abroad, or take a small amount of cash and use plastic instead? We take a closer look at the holiday money market

The economy has crashed and sterling has nosedived against the euro and the US dollar. That won't stop many of us from going abroad this summer. But it does mean that none of us wants to pay a penny, or cent, more than we have to.

According to Which? research (see p24), 82% of us buy foreign currency before travelling. But is this still the best way to sort out your holiday money?

Buying currency in the UK

To discover how competitive the holiday money sector is, we contacted UK banks, bureaux de change and travel agents and asked them what it would cost to buy \$500 and €500 in cash.

Overall, we found that city-centre bureaux de change (operating in areas where several competed for business) and online currency providers offered the best rates.

The banks and Marks & Spencer occupied the middle ground. Airport bureaux de change provided the worst exchange rates, as they tended to impose commission (see table, right).

The Post Office is the most popular currency provider among Which? members (in our survey four in 10 members who carry cash on holiday said they had got it from the Post Office).

When we checked its rates, it offered good deals for customers buying currency online, but not for those buying holiday cash in a local branch.



The cheapest currency provider (on average) for dollars and euros was Eurochange on Oxford Street, London – it charged £351 for \$500 and £461 for €500. The most expensive quotes were from Travelex at Newcastle airport, charging £40 more for \$500 and £47 more for €500, on average.

Using cards abroad

Which? research found that 54% of you use a debit and/or credit card on holiday.

But how much does this really cost you? Most debit cards will impose what are called 'foreign loading fees' of between 2.75% and 2.99% for cash withdrawals and purchases abroad.

There are similar charges for purchases made on most credit cards, in addition to hefty charges for ATM withdrawals (of up to 3%).

To make matters worse, in most cases any interest-free period will only cover purchases, and the interest rate will be much higher for cash withdrawals.

US Local car hire
25% increase

Argentina
Meal for two
12% increase

Best and worst exchange rate providers for \$500 and €500

The Which? team contacted 21 currency providers on six different dates. We asked each provider to quote us for \$500 and €500. In all cases we assumed that payments would be made in cash or with a Maestro card to avoid the cash transaction fees imposed by other card providers.

AVERAGE COST FOR \$500		AVERAGE COST FOR €500	
BEST DEALS		BEST DEALS	
Eurochange	£351.17	Eurochange	£461.07
ICE ^a	£355.36	ICE ^a	£463.00
No1 Currency	£355.56	No1 Currency	£465.37
Saga ^a	£356.64	Post Office ^b	£466.22
Money Exchange	£356.78	Saga ^a	£466.56
WORST DEALS		WORST DEALS	
Post Office Branch	£369.06	First Choice	£481.09
American Express ^c	£369.53	Thomson	£482.87
TTT ^c	£371.16	TTT ^c	£484.31
First Choice	£372.08	American Express ^c	£485.08
Travelex ^c	£391.13	Travelex ^c	£507.84

^a Online with home delivery ^b Online with branch pick-up ^c Airport bureau de change



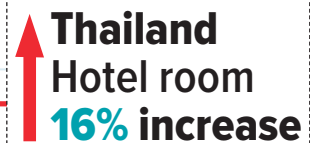
Eurozone
Bottle of wine
11% increase



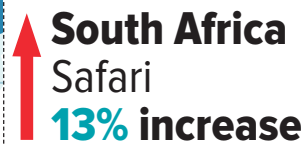
Japan
Train fare
27% increase

Holiday cost increases since last year

The fall in the value of the pound has increased the cost of hotels, travel and entertainment for UK tourists, so it's more important than ever to shop around for currency. (Exchange rates checked 7 April 2008 and 8 April 2009. Exchange rate source: Bank of England.)



Thailand
Hotel room
16% increase



South Africa
Safari
13% increase



Australia
Opera tickets
3% increase

For instance, the NatWest Classic Credit Card charges 16.9% APR for purchases, but 27.9% APR for cash withdrawals, and this rate will start accumulating as soon as the transaction is registered. For an overseas withdrawal costing £500, this would add an extra £10 in interest if you paid your credit card bill after 30 days.

Which? Best Buys

Until recently, Thomas Cook and Nationwide were among an elite band of providers of Best Buy cards for overseas use. However, both have now decided to pass on a fee that Visa imposes for overseas card transactions. This means that Nationwide Visa debit and credit card holders will pay a 1% charge for each transaction conducted in most countries outside Europe. Thomas Cook Visa credit card holders will now pay a 2.5% fee for purchases and cash withdrawals (plus a 2.99% cash handling fee).

Currently, the only way to avoid paying transaction charges is to opt for one of the few remaining Best Buy cards for overseas use, such as the Post Office

credit card. This can be used anywhere in the world, including the Eurozone.

Consumers with a Best Buy Saga Platinum credit card can also avoid charges within the EU. See the Best Buy table in this month's 'Money monitor' on p15, or www.which.co.uk/money for more details.

Prepaid cards

If you apply for one of the few remaining Best Buy cards but aren't accepted, it may be worth considering a prepaid travel card. These cards are becoming more popular because they're easy to manage. They also use both chip-and-Pin technology and magnetic strips – handy if you're visiting countries that don't rely on chip and Pin, such as the US and Canada.

Prepaid travel cards work in the same way as pay-as-you-go mobiles – you can only spend the money you have put on them, but you can top up when you like, by phone or on the internet.

We recommend selecting a card that imposes no, or minimal, charges for withdrawals and purchases, such as the Caxton FX card.

Checklist

Holidays booked? These tips will help you cut costs and avoid unnecessary hassle on your trip

Traveller's cheques

Check whether it's best to take euro or US dollar cheques. And don't forget that sterling traveller's cheques often impose a 1% to 1.5% commission charge.

Contact providers

Tell your card provider when and where you're going, or it may block transactions on your card. Also, take a copy of your card details and the provider's international helpline number.

ATM use

Don't use your credit card in cash machines unless it's absolutely necessary.

The charges are often prohibitively high.

Cash for cash

Pay for currency in cash or on a Maestro card – that way you don't pay the additional charges levied on Visa, MasterCard or Amex cards.



HOW MUCH YOU'D SAVE IF YOU SHOPPED AROUND FOR CURRENCY

If you were to buy an iPod in the USA in cash, you'd save £20 if you'd bought your dollars from the best exchange rate provider in our survey, Eurochange, rather than the worst, Travelex*

USA



CURRENCY PROVIDER

**EUROCHANGE
TRAVELEX***

iPOD COST

**£174.88
£194.74**

If you were to buy an iPod in Germany in cash, you'd save £22 if you had bought your euros from Eurochange, rather than Travelex*

Germany



CURRENCY PROVIDER

**EUROCHANGE
TRAVELEX***

iPOD COST

**£220.39
£242.75***

Based on Which? research (see 'Our research', right, and 'Best and worst exchange rate providers for \$500 and €500', p22). Prices are for an Apple iPod Classic 120GB (UK price £175; US price \$249; German price €239). Prices obtained from the local Apple stores. *Airport bureau de change.



Which? researchers Martyn and Jo withdrew money from cashpoints in Paris and Hamburg on the same day to compare exchange rates

Exchange rates and cards

Whether you use a Best Buy or your usual debit or credit card, providers' charges are only one part of the equation. The exchange rate you pay each time you use your card is just as important.

You won't want to call your card provider to find out the exchange rate every time you buy something or use an ATM. But the rate you pay will appear on your statements, or on the cashpoint receipt.

To find out whether debit and credit card withdrawals abroad can match the rates you get when you buy currency in the UK, we sent two members of the Which? money research team to Europe to make debit and credit card withdrawals on the same day.

On that day we also obtained exchange rates from 21 currency providers, plus the researchers' own card providers.

In all cases, the rates for debit card withdrawals were comparable with the rates offered by the better UK providers.

Martyn visited Hamburg, where he made €50 withdrawals using NatWest and First Direct debit cards. He also took out €50 with a Halifax MasterCard credit card.

The cost of withdrawing €50 with the NatWest debit card was £49.76. Using the First Direct debit card cost just two pence more. These costs included fees.

Jo used a Halifax debit card and an Egg Money credit card at a cashpoint in Paris. Jo's Halifax debit card withdrawal was

£49.49 (including a £1.50 fee), putting it on a par with Martyn's transactions.

So it seems that you won't get a completely raw deal if you use your own debit cards abroad – although you would get a better deal if you used a Best Buy.

As expected, using the credit cards proved more expensive. Martyn was charged £51.13 for using his Halifax MasterCard credit card, while Jo's Egg Money credit card transaction came in at £51.21, with charges.

In both cases, the actual credit card costs increased, as there is no interest-free period on credit card ATM withdrawals.

Traveller's cheques

Finally, if you still think the only card worth considering on holiday is a postcard, you could take both cash and traveller's cheques.

Traveller's cheques are secure as, if they get lost or stolen, a replacement can be sent to you, usually within 24 hours – provided that you have kept a note of your serial numbers.

But remember that you have to queue up to cash them, and there's a 1% to 1.5% commission fee for sterling cheques.

OUR RESEARCH

We asked 1,311 Which? readers in January 2009 about holiday money. We also contacted 21 currency providers on six occasions over three months, and obtained currency rates from the big four banks as well as selected debit and credit card providers as part of our Eurozone currency rate experiment.

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