

Credit Versus Debit:

Tips from the New York State Consumer Protection Board



The New York State Consumer Protection Board (CPB) advises consumers to use care and exercise caution when providing personally identifiable information such as their credit and/or debit card numbers, PINs, expiration dates, name, address, Social Security Number, and date of birth to others.

Consumers should consider both the pros and the cons before deciding which type of card to use.

Government regulations are designed to protect consumers using credit and debit cards, and consumers should be aware that these protections vary by the type of card and the issuer. In general, protections for credit cards are more robust than for debit cards.

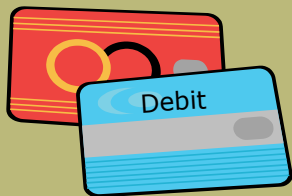
	Credit Cards	Debit Cards
Using The Card	<p>Using a credit card is essentially borrowing money, similar to a loan. Generally, when a consumer uses a credit card, the money borrowed will be charged interest to be paid when specified payments are due, unless there are grace periods allowed, which are stated in the contract or credit card agreement.</p> <p>A credit card is a pay later approach.</p>	<p>Using a debit card is much like using cash. When a consumer uses a debit card, the money is immediately deducted from the person's checking account, or sometimes a savings account. However, when a consumer purchases something but does not have enough money in his or her account to pay for the purchase, the consumer may incur a hefty fee for overdrafting. Overdraft fees are disclosed in the financial account agreement.</p> <p>A debit card is a pay now approach.</p>

	Credit Cards	Debit Cards
Liability for Unauthorized Charges	Consumers are only responsible for the first \$50 of unauthorized charges on their credit card when they report the unauthorized use upon discovery. If a consumer reports the card missing before unauthorized charges have been made, they will not be liable for any subsequent charges made on the reported missing credit card.	Liability is limited to \$50 for fraud, loss, or theft, reported ONLY if the notification is made within two (2) business days of the unauthorized charges or the discovery of the unauthorized charges. If the fraud, loss, or theft is reported two (2) business days after the unauthorized charges have been made or discovered, and within 60 days of the receipt of the bank statement showing the fraud, the consumer liability increases dramatically. The consumer is then liable for up to \$500 of losses from fraud or theft. If the theft is reported after 60 days of the showing of fraud, then the consumer is responsible for all unauthorized charges.

CREDIT TIP: Make sure you understand the terms of a credit-card plan before you accept the card. Always review the disclosures of terms and fees that must appear on credit-card offers you receive in the mail.



	Credit Cards	Debit Cards
"Zero-Liability" Policies	Certain credit card companies have some additional protections known as "zero-liability" policies (a guarantee that the consumer will not be held responsible for any charges). Consumers should inquire with the card issuer.	The "zero-liability" policies offered by credit card companies apply ONLY to non-PIN (Personal Identification Number) transactions, since the purpose of PIN numbers is to provide extended protections. However, this means, if an outside party has access to a consumer's debit card AND the PIN, the "zero-liability" protections are nullified, and only the federal protections listed above apply. Individual banks may offer more protections for their customers. Therefore, a consumer should take extra care in keeping their PIN confidential, and inquire about any "zero-liability" policies for use of debit cards without the PIN.



DEBIT TIP: Make sure you check your account balance regularly to avoid any overdrafts and fees.

	Credit Cards	Debit Cards
Disputes About Purchases Made With The Card	Federal law provides safeguards when a consumer has a dispute about a charge made with a credit card. If a consumer pays for something with a credit card and is dissatisfied with it or has encountered other problems with the item, the issuer of the credit card can legally withhold payment until the dispute is resolved. The consumer will not be charged until a determination has been made. Also, when there is a dispute, the consumer has the option of withholding payment until the problem is resolved.	When there is a dispute about a purchase made with a debit card, once the consumer has made the purchase, the retailer has already received the money for the item. Using a debit card provides little protection for consumers in receiving a refund when a dispute arises. The opportunity for dispute resolution generally only applies to debit card purchases made where a consumer has signed a receipt.
Other Risks	Credit cards tend to tempt consumers to purchase more than they should. The biggest risk with credit is getting into debt. Additionally, credit card companies will offer reward systems that lure consumers even further into debt by providing incentives for them to keep purchasing goods.	Unwanted fees: Some banks, ATMs, and merchants tack on a usage fee when using a debit card. Other fees to watch for include: activation fees, non-use fees, ATM withdrawal fees, overdraft fees, retail and reload fees.



Refer to the CPB's Consumer Online Shopping Tips and our Internet and Computer Safety Tips found at www.nysconsumer.gov

***NYS Consumer Protection Board
Advocating for and Empowering NY Consumers***