



# Foreign affairs

There are more ways to spend abroad than ever before, and while more choice is often a good thing, it can also be a minefield. We consider the best ways to pay when on holiday

## WHAT YOU'LL LEARN

- The best ways to buy currency before you travel
- The best ways to spend when you're abroad
- How to avoid card charges on holiday

**T**he cost of managing your money when you travel abroad has been steadily rising over the past decade or so. When Which? looked at the cost of using debit cards overseas 13 years ago, we found that the average foreign loading fee for purchases was just 1.2%. Today, most banks charge closer to 3%.

This isn't to say that all debit cards aren't any good for using abroad, but you do have to be selective in what cards you take with you to another country and, more generally, how you spend your money while you're there. We take a look at the options.

## Buying currency in the UK

The key to buying currency is securing the best exchange rates and avoiding unnecessary charges. The problem with exchange rates is that they fluctuate, making it hard to compare and to predict when to buy.

If you have strong views on how the pound will perform against another currency, perhaps tracking overall trends for several months, you could change your money early and bag a good rate. But if, like most people, you're not an expert in exchange-rate forecasting, then there's no harm in leaving your trip to the bureau de change until a little closer

to your holiday. In either case, there are some important things to consider.

## How much do you want?

If you only want to take a small amount of foreign currency, you may be tempted to leave it until you get to the airport and pop into a bureau de change while you wait for your flight. This could be costly.

Airport exchange booths are expensive to lease, and this is reflected in the rates they offer. Instead, it's best to check out local bureaux de change – as well as the Post Office, Marks & Spencer and travel agents – a few days in advance.

If you're planning to take a lot of money, you want to be sure of the best rates, and these are usually found online.

Good places to start are The Currency Club ([www.thecurrencyclub.co.uk](http://www.thecurrencyclub.co.uk)) and



Travelex (www.travelex.co.uk). With The Currency Club there is no home-delivery fee, making it a cheap and convenient way to get currency. With Travelex you can book online, fixing the exchange rate when you place an order, then pick up the currency from one of its booths at an airport or station.

One of the attractions of Travelex is that it offers a price guarantee, promising to beat its competitors' rates. However, when Which? mystery shopped the exchange rates in the market, Travelex did not always come out cheapest. So it's worth checking to see what other providers are offering.

When ordering currency online, be careful how you pay. If you settle the whole transaction by card, your bank may add a fee. Many banks charge for buying currency with a debit card, typically 1.5-2%, and almost all charge for using a credit card.

Where possible, try to pay for your foreign currency in cash by using cash-machine withdrawals along the way, to avoid card fees.

You can also choose to have online currency orders delivered to your home. Many providers will charge for this, though the fees are often waived if you are exchanging a larger amount. However, you may struggle to avoid card fees if you go down this route.

**Recommendations:** If you have time, order currency online in advance via The Currency Club (for home delivery), or from Travelex and pay for your currency when you pick it up at a booth. However, for smaller amounts, high-street bureaux de change can offer relatively good value. Avoid changing money at the airport.

### Using cards abroad

If you are nipping across the Channel for a long weekend you might prefer to rely exclusively on cash. But most of us would conclude that this isn't the safest option, and hugely inconvenient if your money is lost or stolen.

For the vast majority, the answer is to take some currency to tide you over

### Which? online

Visit [www.which.co.uk/travelmoney](http://www.which.co.uk/travelmoney) for more information on where and how to spend abroad

### Which? research

We surveyed the major currency, prepaid, debit and credit-card providers in April 2011

for a day or two, then use plastic. But given the banks' growing tendency to levy high charges for using your card overseas, it's vital to make sure you've got the right plastic in your pocket.

Spend on your regular debit card and you could quickly rack up a hefty bill in charges.

Most, but not all, debit-card providers impose cash-withdrawal and loading fees. Withdrawal fees are usually in the region of 2% (with a minimum charge of £1.50-£2). Loading fees, for processing the transaction, are typically about 2.75%.

### Debit cards

Our research has revealed that the ideal debit card to use for purchases and withdrawals abroad is from Norwich & Peterborough BS (see table, left). This option doesn't impose withdrawal or loading fees. If you don't have one, or are reluctant to switch, you could consider a Nationwide debit card, as the fees are far below the average, with a 2% loading fee, plus £1 per withdrawal.

Santander customers could be eligible for a Zero card if they deposit enough cash and have investments or a mortgage with the bank.

Unfortunately, the rest of the banks didn't come out so well. Which? research has uncovered that a typical family on holiday, making £600 of purchases on their debit card and four £100 cash withdrawals, could end up spending £38.90 on fees with Lloyds TSB.

**Recommendations:** If you have a Norwich & Peterborough BS Visa debit card, or are willing to switch, it's worth using it when you're abroad. Nationwide's debit card is also cheaper than most competitors, but, for customers of any other banks, we suggest keeping your debit card in your wallet.

### Credit cards

It's not recommended to use credit cards for cash withdrawals, due to the interest they typically attract, but there are exceptions to this rule.

The Sainsbury's Gold card adds no loading or cash-withdrawal fees, and has interest-free days for withdrawals. This is highly unusual, as most credit cards will charge interest from the moment your first transaction is

### Recommended prepaid cards

All the cards listed below are free to purchase and load with a debit card. None charge any monthly/annual fees.

EURO/DOLLAR PREPAID CARDS		
	FOREIGN LOADING FEE	CASH WITHDRAWAL FEE
CAXTON FX	None	No Fee
ESCAPE TRAVEL MONEY	None	No Fee
MY TRAVEL CASH	None	No Fee <sup>a</sup>
TRAVELEX	None	No Fee

<sup>a</sup> There will be no fee for cash withdrawals from 14 June 2011. This applies to both current and new customers.

processed. However, there is a £5 monthly fee for this card, and, while this includes travel insurance, it's important to work out whether it provides good value for your individual circumstances.

Halifax's Clarity card also levies no fees on purchases or withdrawals, and doesn't charge any monthly fees, but you will start paying interest from the moment you take out cash; albeit at a reasonable rate of 12.9% APR.

If you don't have either of these cards in your wallet, you should avoid using a credit card to withdraw cash. However, certain credit cards can be good value for making purchases overseas (see table, p12, bottom left).

**Recommendations:** Credit cards are best avoided for cash withdrawals. Saga's Platinum (Visa), Halifax's Clarity (MasterCard), Post Office's Platinum (MasterCard) are the cheapest ways to spend abroad. Make sure you pay off your balance in full once you get back home.

### Prepaid cards

If you can't get hold of a decent credit or debit card for use overseas, a prepaid card may be the solution (see table, above). Although some of the cards we looked at charged up to £3/€3 per withdrawal, Caxton FX, Escape Travel Money and Travelex applied no withdrawal, purchase or loading fees, providing you use the right card, such as a euro card in the Eurozone or a dollar card in the US.

Prepaid travel cards have been around for a few years now, but awareness of

them is still pretty low, and less than 10% of us have one. They work in the same way as debit and credit cards, using chip and Pin. You preload the card with currency, then top up your balance over the counter, via your mobile phone or online, by transferring money from your current account.

The difference between prepaid cards and debit/credit cards is that prepaid-card providers tend to set their own exchange rate, rather than using the MasterCard or Visa rate. This makes it harder to know how much the card is actually costing you. Some cards allow you to fix the exchange rate when you load them, while others allow you to load the card with pounds sterling, with transactions being processed at the provider's exchange rate as they're made.

If you don't have a Norwich & Peterborough BS Visa debit card, certain prepaid cards offer the best value for withdrawing cash overseas.

**Recommendations:** Caxton FX's cards, Escape Travel Money and Travelex's Cash Passport carry no fees for loading the card or for taking out cash abroad. However, exchange rates can vary. This is still much cheaper than withdrawing cash on most debit cards.

### The verdict

#### BUYING FOREIGN CURRENCY

You may well be better off ordering your currency online and then collecting. Make sure you shop around but pay in cash.

#### Debit cards

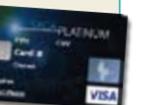
Unless you have a Norwich & Peterborough BS Visa card or a Santander Zero debit card (only available to certain mortgage and savings customers), leave it in your wallet.

#### Credit cards

Take the Halifax Clarity (MasterCard), Saga Platinum (Visa) or Post Office Platinum (MasterCard) for purchases.

#### Prepaid cards

The Caxton FX (MasterCard), Escape Travel Money (MasterCard) and Travelex Cash Passport (Visa) offer reasonable value for purchases and withdrawals, but the true cost is disguised as it's wrapped up in the exchange rate.



### Best debit cards for overseas use

The table shows the three current account debit cards worth using abroad and the charges incurred.

DEBIT CARDS		
	FOREIGN LOADING FEE	CASH WITHDRAWAL FEE
NORWICH & PETERBOROUGH BS GOLD CLASSIC/LIGHT CURRENT ACCOUNT <sup>a</sup>	None	None
SANTANDER ZERO CURRENT ACCOUNT <sup>b</sup>	None	None
NATIONWIDE FLEXACCOUNT <sup>c</sup>	2%	£1

<sup>a</sup> For the Gold Classic account, it must be your main account and you must pay in a salary or £500 per month to be eligible. For the Light current account, if you make fewer than five transactions a month, you'll pay a low-usage charge of £5 per month, unless your average balance over the month is £5,000 or more. <sup>b</sup> Available to Santander current account holders who have deposited £1,000 in three consecutive months and have a mortgage/investments with the bank. <sup>c</sup> You must deposit at least £750 in to the account per month for the last three months

### Best credit cards for overseas use

The table shows three recommended credit cards for purchases abroad and the charges incurred.

CREDIT CARDS					
	PURCHASE APR	CASH WITHDRAWAL APR	CASH INTEREST FREE DAYS	FOREIGN LOADING FEE	CASH WITHDRAWAL FEE
SAGA PLATINUM VISA <sup>a</sup>	11.9%	21.47%	Yes	None	2% (or min £2)
HALIFAX CLARITY MASTERCARD	12.9%	12.9%	No	None	None
POST OFFICE PLATINUM MASTERCARD <sup>b</sup>	16.9%	26.94%	No	None	2.5% (or min £3)

<sup>a</sup> This card is only available to customers over 50 <sup>b</sup> Also available as a standard Classic card

### Six key holiday money tips

#### CARD PROVIDERS

If you have a recommended card, take it with you to benefit from the lack of fees.

#### COMBINATIONS

Take a mix of cash and cards. Don't rely on one card alone, as you could have problems if it is lost or stolen.

#### PAY IN CASH

Buy foreign currency in cash if you can. Many card providers add a fee if you pay on plastic.

#### PREPAID OPTIONS

Consider a prepaid card. The best ones are free or cheap to use. You can't get into debt with them so they are useful for budgeting, too.

#### LOCAL CURRENCY

Always try to pay for goods and services in the local currency, rather than sterling, as you will often get a better exchange rate.



#### FINDING A CASH MACHINE

If you're planning a holiday somewhere off the beaten track, it may be worth checking with your card issuer to see where the nearest cash machines are before you go.

It's also worth noting that in some countries cash machines will be specific to a type of card, such as Visa or MasterCard.

You can search online for cash machines near to your destination, using these links. **American Express:** [www.americanexpress.com/atmfinder](http://www.americanexpress.com/atmfinder) **MasterCard:** [www.mastercard.co.uk](http://www.mastercard.co.uk) (click on 'Personal' to find the 'ATM Locator') **Visa:** <http://visa.via.infonow.net/locator/global>