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Paying by card overseas and offered a currency choice: this is what you should ALWAYS do



A beer on Santorini could cost you a lot more because of a little-known charge CREDIT: E+

By **Sam Brodbeck**

25 JULY 2017 • 4:19PM

British holidaymakers are unknowingly paying millions of pounds in unnecessary fees when using credit and debit cards abroad.

Little known "dynamic currency conversion" (DCC) charges are added by the firms handling the transaction if you choose to pay in sterling, rather than the local currency.

These fees mean that buying a round of Mythos beers on a Greek island using your credit card could cost up to 10pc more if you opt to pay in pounds.

Analysis by FairFX, a travel money provider, found 27pc of the £26.4bn spent on debit and credit cards overseas is subject to DCC charges. Travellers are also caught out if withdrawing foreign cash from ATMs but select sterling when prompted.

The extra fee you pay depends on the deal struck between the merchant (such as a bar or shop) and the "acquiring" bank selected by the merchant.

Ostensibly the charges cover the currency conversion but can be completely unrelated. According to FairFX the average DCC fee is 6pc but can be as high as 10pc. Models vary, but each takes a margin on top of the cost of conversion.

Selecting to pay in local currency means your home bank handles the currency conversion. This will closely track the "true" currency conversion rate, meaning it is normally far cheaper.

DCC fees are not subject to a cap but there are rules that mean you have the right to choose whether you pay in pounds or local currency. However, some merchants may automatically select pounds when giving you a bill, so be sure to check.

Holidaymakers hit by worst exchange rates in years as £1 sold at airport for €0.88



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Is it ever cheaper to pay in pounds?

You'd be forgiven for thinking there must sometimes be an advantage to paying in pounds (given you are presented with the option) but in almost all circumstances it will cost you more.

As a rule you should always opt to pay in local currency. The only time when it might be cheaper to pay in pounds is where your home bank charges a foreign transaction fee higher than the DCC charge.

But, said FairFX's Simon England, because DCC charges vary between every merchant it is almost impossible for consumers to keep track of what they are paying.

Pre-paid travel cards, where you can lock in a rate when you buy foreign money, are a good alternative. These can also be loaded with sterling, so again be sure to select local currency when making a payment or withdrawing cash.

The Post Office offers probably the best known pre-paid card but there are dozens on offer - including start-up bank **Monzo's card** (<http://www.telegraph.co.uk/travel/advice/monzo-currency-card-why-you-should-get-one/>) that gives near perfect exchange rates.

Read more tips on **holiday money** (<http://www.telegraph.co.uk/travel/advice/best-way-to-spend-money-abroad-get-travel-currency/>) here.

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