

Questions and Answers – PAN-Nordic Card Association, 2010-05-06

General brief questions

Doesn't a card system encourage unnecessary consumerism?

We don't deny that owning a card generally allows you to spend your money in an effective and safe manner, or that it can increase consumption. However we believe that this is a good thing, as high consumption benefits the economy. It is also difficult to argue that people cannot afford debit or credit cards, since the system is very flexible as regards matching irregular income and spending patterns. With the help of detailed bills, the card gives consumers control over their personal finances. Banks always make a responsible evaluation of whether someone is suitable to own a card; this is to avoid situations in which people cannot pay their bills.

What are the advantages of using a card?

Despite many people's prejudice, cards are associated with a wide range of advantages both for the consumer and the economy as a whole. This doesn't just concern security, efficiency, control over personal finances and better exchange rates, but also lower transaction costs and higher consumption, which create growth and benefits for society as a whole. E-commerce, which is stimulated by card use, spreads capital throughout the entire world.

Banks

Do we exaggerate the importance of the banks? Should their services, in particular the provision of cash, be taken over by other players?

The banks are critically, reviewed both by consumers and by the authorities. Although there is much discussion about the fact that banks make "too much profit", few people discuss how banks help our economies to function in a better way. For example, banks invest in new business activities, just one reason why banks should be seen in a more positive light. In certain cases the services provided by banks be supplemented by other players. However, banks set higher requirements for security upon loans, securities not demanded by other players.

Fraud

What are the most common forms of fraud on cards?

The most common form of fraud is skimming, i.e. a covert device, which registers PIN codes and copies cards, is installed in a cash machine or other terminal. Card fraud is most extensive during the middle of the summer and around Christmas, when it is crowded and security processes may be more vulnerable. The fraudsters exploit the fact that many of the cards that are currently on the market lack chips and that traders continue to use old terminals that cannot read the new chips.

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Is fraud impossible with the new techniques?

New cards with 'Chip-technology' are safe to use and where traders have installed new chip terminals that read the chip when the card is used, the risk of fraud is considerably reduced. It is impossible to remove the risk entirely as new situations will always arise in which the cardholder is cheated into giving his or her card and code to a fraudster. Regardless of the new technique it is vitally important that the cardholder treats the card like a valuable document and protects his or her card and code. For example the owner should never lend the card or give the code to anyone else. It is also important that the cardholder is aware of the risks that exist and ensures that bills and cash outgoings agree.

Are the banks just protecting their own assets when they stop copied cards whether the user wants this or not?

First and foremost it is illegal to copy and use anyone else's card, and the banks do not want to take any part in this. Secondly it would be indefensible not to stop copied cards, as they would be forced to keep count of which purchases have been performed by the card's lawful owner and which are due to theft. Thirdly, stopping transactions performed with copied cards ultimately protects the customer and limits the potential of thieves to use the stolen or copied cards.

What can consumers do to avoid being exposed to card fraud?

There are several measures that you can take to avoid fraud. However the most important of all is to pay attention when you use the card, whether in shops or at cash machines, check whether the card terminal looks peculiar and be very careful about the Internet pages to which you submit your card details. Hide your receipts and statements. Never lend your card, not even to family members, and keep it in a safe place.

Cash vs. card

Why use a card instead of cash?

It is safer to use a card, as you don't need to carry cash on you, which is irreplaceable if you lose it. However if you lose your card you can cancel it with a mere telephone call. It is also more difficult for thieves to use a stolen card whilst anyone may use the money in a wallet. Besides the problem of security, card trade also leads to increased trade efficiency, which in the end benefits the consumer. In addition, card transactions are not associated with the types of security risks that surround transport of cash. This is an issue that is tragically apparent in Sweden. A limited number of money transports, or transports of lower sums of money, should be able to reduce the risk of hijacking and armed robbery. Increased card usage leads to increased efficiency and security for all parties.

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Will people stop using cash completely?

People do not need to participate in the card system if they are not interested. However the most desirable future is one in which everyone is benefitting from the personal and national economic advantages of using the card instead of cash and makes a choice based on convenience and efficiency. An increase in card use should lead to a reduced supply of cash, which will paralyse black markets and criminal activity. The card system offers security and advantages that cash never can, and we believe that economies develop and progress by investing in the payment card industry. Efficiency increases both for traders and for the consumers when they use the card. The trader is spared the cost of expensive cash management, which is also associated with security risks. Increased card usage leads to increased security for consumers and a more convenient method of payment. Our member banks strongly encourage people to use cards, and are supported by the PAN-Nordic Card Association.

How is personal integrity protected by increased card use? Can the card in any way protect the consumer's anonymity in the same way as cash?

Cash equals anonymous but as the consumer's anonymity is important, one shouldn't forget that cash is vitally important for black markets and is often associated with crime. Increased card use should lead to a reduced supply of cash, which will paralyse black markets and criminal activities.

Extra charges

Why are there supplementary charges?

The prices charged for use of the payment card cover the banks' costs in helping customers with this product and service, as well as the cost of investments. Extra charges can be compared to the costs relating to postage and freight, etc. In addition, it is a fact that extra charges cost less than obtaining a parcel via cash on delivery.

Why are supplementary services provided with the card?

Supplementary services have been naturally connected with the use of cards for many years and they increase the value of using the card. Services related to travel insurance are often included, for example insurances covering baggage that is lost during transit, illness that arises during the journey or illness that forces the journey to be cancelled.

Supplementary services may also include a 24-hour service that allows you to receive a new card within 24 hours if your card is stolen.

The banks determine which supplementary services are available and how prices should be set. These services may be included in the card charge, however in certain cases the services may cost extra.

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Extra charges are completely arbitrary!

Unfortunately we must acknowledge that some traders continue to charge a “surcharge” to cardholders in connection with card purchases, even if this is not in complete accordance with the regulations that govern card transactions. Extra charges may depend on the purchase sum, but they may also be general sum that are taken upon the card purchase.

It is completely forbidden for a trader to demand arbitrary card charges if you pay with a VISA card.