

Debit cards are also known as check cards. Debit cards look like credit cards or ATM (automated teller machine) cards, but operate like cash or a personal check. Debit cards are different from credit cards. While a credit card is a way to “pay later,” a debit card is a way to “pay now.” When you use a debit card, your money is quickly deducted from your checking or savings account.

Debit cards are accepted at many locations, including grocery stores, retail stores, gasoline stations, and restaurants. You can use your card anywhere merchants display your card’s brand name or logo, even on the Internet. They offer an alternative to carrying a checkbook or cash.

### Use Your Debit Card for ...



ATM Transactions and Getting Cash



Shopping



Instant Banking

### Do You Have a Debit Card?

You may not realize that you have a debit card. Many banks are replacing their standard ATM cards with upgraded ATM cards that have a debit feature. You may also receive in the mail what looks like a credit card when in fact it is a debit card.



### What Is the Difference Between a Debit Card and a Credit Card?

It’s the difference between “debit” and “credit.” Debit means “subtract.” When you use a debit card, you are subtracting your money from your own bank account. Debit cards allow you to spend only what is in your bank account. It is a quick transaction between the merchant and your personal bank account.



Credit is money made available to you by the bank or other financial institution, like a loan. The amount the issuer allows you to use is determined by your credit history, income, debts, and ability to pay. You may use the credit with the understanding that you must repay the charges, plus interest, if you do not pay the account in full each month. You will receive a monthly statement detailing your charges and payment requirements.

### Two Ways Debit Cards Work

**With a PIN: You provide your personal identification number, or PIN, at the time of sale.**

**Without a PIN, or PIN-less: You sign a receipt for the purchase, as you would with a credit card.**

Some debit cards are designed to work only with a PIN, others can be used with either a PIN or a signature. PIN-only debit cards offer greater security because it’s more difficult for unauthorized people to use them. Cards that can work both in the PIN and PIN-less methods offer more flexibility, especially when dealing with merchants who do not have the equipment needed to process PIN transactions.



In either case, the funds are automatically deducted from your account within a short time.

### What You Should Know About Debit Cards

- Obtaining a debit card is often easier than obtaining a credit card.
- Using a debit card instead of writing checks saves you from showing identification or giving out personal information at the time of the transaction.
- Using a debit card frees you from carrying cash or a checkbook.

- Using a debit card means you may no longer have to stock up on traveler’s checks or cash when you travel.
- Debit cards may be more readily accepted by merchants than checks, even when you travel.
- The debit card is a quick, “pay now” product, giving you no grace period.
- As with credit cards, you may dispute unauthorized charges or other mistakes within 60 days. You should contact the card issuer if a problem cannot be resolved with the merchant. However, using a debit card may mean you have less protection than with credit card purchase for items which are never delivered, are defective, or were misrepresented.
- Returning goods or canceling services purchased with a debit card is treated as if the purchases were made with cash or a check.

### Be Aware

If your debit card works with either a PIN or a signature and the store accepts both, you choose which way to use it at the point of sale.

If you choose “debit” on the merchant’s terminal and “swipe” your card through, you will be asked for your PIN. If you choose “credit” on the terminal and swipe your card through, you will be asked to sign a receipt. “Credit” does not mean that you will be billed, as with a credit card. The money will be debited from your account automatically.



### What You Should Know Before You Use a Debit Card

1. Know if it is a credit card or a debit card. Also, decide whether you want a PIN-only debit card or one that can be used with either a PIN or a signature. Ask the card issuer about your options.
2. Know if there are fees applied to using the card. Some financial institutions charge a monthly fee or a per-transaction fee, others do not. These fees are set by the card issuer and must be disclosed to consumers.
3. Know about your liability for the unauthorized use, theft, or loss of your debit card. Ask if the issuer has any special liability policies and how they work.
4. Know how problems with nondelivery, defective merchandise or misrepresentation will be handled. This is especially important when you use a debit card to purchase goods or services for future delivery, rather than on a “cash and carry” basis. Ask the issuer about its policies for these types of disputes.



## Seven Tips for Using Debit Cards Responsibly

1. If your card is lost or stolen, report the loss immediately to your financial institution.
2. If you suspect your card is being fraudulently used, report this immediately to your financial institution.
3. Take your receipts. Don't leave them for others to see. Your account number may be all someone needs to order merchandise through the mail or over the phone at your expense, especially if the card can be used without a PIN.
4. If you have a PIN number, memorize it. Do not keep your PIN number with your card. Also, don't choose a PIN number that a smart thief could figure out, such as your phone number or birthday.
5. Never give your PIN number to anyone. Keep your PIN private.
6. Always know how much money you have available in your account. Don't forget to consider money that you have set aside to cover a check that has not yet cleared your bank.
7. Deduct debits and any transaction fees from the balance in your check register immediately. Keep the receipts in one place in case you need them later.

## What if My Card Is Lost or Stolen?

In the event that your card is lost or stolen, you need to know the extent of your protection. Government regulations require debit card issuers to set a maximum liability of \$50 if the debit card is reported lost or stolen within two days of discovery. Liability increases to \$500 if the lost or stolen debit card is reported within 60 days. Neglect to notify the bank of the theft within 60 days after a bank statement is sent, and you could lose everything in your checking and overdraft accounts.



Check with your financial institution about your liability. Many debit card issuers offer consumers better protection than the government regulations require. Some even offer consumers "zero liability" in cases of fraud, theft, or other unauthorized card use if the cardholder reports the problem within a certain time.

If a problem arises, remember that it is your money that is at stake.

- Under government regulations, financial institutions may have up to 20 days to provide provisional credit to consumers for losses due to debit card theft or unauthorized use of the card.
- In cases where a cardholder's debit card has been used fraudulently, some issuers promise

even faster provisional credit for lost funds, in as few as five business days after notification.

- You may not know that your debit card or its number has been stolen until checks you have written have bounced. Be aware that the issuer is not required to waive bounced check charges or cover any fees that may be imposed by the recipients of checks that unintentionally bounced because a debit card was stolen. Many banks do, however, refund these fees as a measure of good customer service.

Debit cards offer the consumer many conveniences. They are more readily accepted by merchants than checks, especially when you are out of your own state or in other countries. You are not required to provide identification or give personal information when using a debit card. This makes the transaction quicker and allows you to keep personal information to yourself.

However, because the money spent using a debit card comes directly from your bank account, you need to be careful in order to prevent fraudulent use of your card number.

**Ask for the Details of  
the Card Issuer's  
Liability Policy.**



**Safety.**

**Security.**

**Social Conscience.**

### Join the League Today

Founded in 1899, the National Consumers League is America's pioneer consumer organization, protecting and promoting social and economic justice for consumers and workers in the United States and abroad.

NCL is your advocate when it comes to many consumer issues, including: financial services, Internet fraud, health care, sweatshops, e-commerce, migrant farmwork, food safety, and consumer education.

Your \$20 annual membership shows how much you care about educating consumers — especially those who are most vulnerable — and strengthening consumer protections to meet the challenges of today's marketplace.

Members receive the bimonthly *NCL Bulletin*, discounted and free publications, reduced conference registration, and a voice in determining NCL's priorities.

Log on to [www.nclnet.org](http://www.nclnet.org) or call 202-835-3323 to join today!

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Beyond Cash & Checks

