

Abstract: Virtually everyone has a credit and debit card these days. But many people still live in fear of these plastic necessities because they're unfamiliar with the fine print of the arrangements involved. This article explores the potential liability of both credit and debit cards, and suggests some sensible risk management steps to take.

Getting to know your credit and debit cards a bit better

Virtually everyone has a credit and debit card these days. But many of us still live in fear of these plastic necessities because we're not terribly familiar with the fine print of the arrangements under which they operate. Let's get to know them a bit better.

Credit cards

If your credit card is used without your permission, you may be responsible for up to \$50 in charges, according to the Federal Trade Commission (FTC). If your card is lost or stolen and you report the loss before your card is used in a fraudulent transaction, you can't be held responsible for any unauthorized charges. Some card issuers protect customers regardless of when — or if — they notify the card company.

When reporting a card loss or fraudulent transaction, contact the card company via phone; many provide toll-free numbers that are answered around the clock. In addition, the FTC advises following up via a letter or email. It should include your account number, the date you noticed the card was missing (if applicable), and the date you initially reported the card loss or fraudulent transaction.

Debit dangers

Debit card liability can be a little riskier. It generally depends on whether the card was lost or stolen or is still in your possession, the type of transaction, and when you reported the loss or unauthorized transaction.

According to the FTC, if you report a missing debit card before any unauthorized transactions are made, you aren't responsible for the unauthorized transactions. If you report a card loss within two business days after you learn of the loss, your maximum liability for unauthorized transactions is \$50.

If you report the card loss after that time but within 60 calendar days of the date your statement showing an unauthorized transaction was mailed, liability can jump to \$500. Finally, if you report the card loss more than 60 calendar days after your statement showing unauthorized transactions was mailed, you could be liable for all the funds taken from your account.

If you notice an unauthorized debit card transaction on your statement, but your card is in your possession, you have 60 calendar days after the statement showing the unauthorized transaction is mailed to report it and still avoid liability.

While the lower protections required on debit cards may make you wonder whether you're safer using a credit card, some debit card companies offer protections that go above what the law requires. Check with your provider.

Risk management steps

Taking a few simple steps can help cut the risk that you'll be held liable for unauthorized use of your credit or debit card. First, carry only cards you need and destroy old ones, shredding them if possible. Don't provide your card number over the phone or online unless you've initiated the contact.

In addition, choose a PIN that's not easily guessed and make sure to memorize it. If you have online access, take a few moments to scan transactions every time you log on or at least once a week. If you still use paper statements, be sure to review them when they arrive in the mail. If you notice a transaction that isn't yours, report it to your credit card issuer or bank right away.

Finally, keep a list of important numbers and relevant data stored separately from the cards themselves. Having this information handy will make it easier to report a missing card or suspicious transaction quickly.

Ins and outs

Many of us have grown so familiar with our credit and debit cards that we take them for granted. But keep in touch with their ins and outs. We can answer any further questions you may have.

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