



Dynamic Currency Conversion Factsheet

So what is DCC?

Dynamic Currency Conversion is, in theory, an optional 'service' provided by individual retailers or at ATMs. It should be performed with the cardholder's consent. It allows the UK cardholder the option to pay in either the currency of the country they are visiting or pounds sterling. If the card holder opts to pay in sterling the payment will be converted from the local currency to sterling by the retailer or bank who will apply their own conversion fee. If a customer chooses local currency, such as Euros, the card provider will handle the conversion. Nearly all card providers charge a currency conversion fee or a foreign usage fee.

However, Nationwide is the only high street financial organisation and the only debit card provider that's doesn't charge any fees for card use abroad. Therefore, to safeguard this benefit, Nationwide's customers should always opt for the local currency of the country they are visiting.

Unlike Nationwide's customers, cardholders who bank elsewhere face a more complicated scenario. For certain transactions it may be less expensive for them to pay in sterling, see table 1. They would have to know what their bank charges for foreign usage and currency conversion are. In addition, they would have to find out the VISA rate for that day and compare this to the sterling rate being offered by the retailer.

For regulatory and anti-competitive reasons VISA* is unable to prevent the operation of DCC by retailers or ATM providers but has introduced rules to govern it. Prior to the transaction, a shop or restaurant offering the service should verbally inform the cardholder of the payment choice available, but language barriers will often prevent this. This should be followed by a statement on the signature slip illustrating the choice the cardholder has made.

What's the problem?

Nationwide is concerned that there is a general lack of awareness about DCC. Nationwide customers need to know how to protect their free card use abroad and card holders from other organisations need to ensure they're getting the best deal from their card transactions. It has become evident that some retailers are not complying with the rules set out by VISA and are applying the conversion service automatically without the cardholder's consent. Therefore, customers are paying in sterling at exchange and commission rates that are often unfavourable.

Some cardholders do insist on paying in the local currency at the point of sale but the retailer will sometimes refuse to switch currencies. UK card holders, across the market, were charged almost £5m in July 2005 by retailers overseas to convert their transactions into sterling. The retailer would benefit most from offering this ‘service’.

What happens at ATMs?

ATM providers need to register with VISA in order to operate the service.** Nationwide is concerned about the pilot. In particular the guidelines concerning the screen layout are highly confusing and perhaps direct customers towards the ‘Yes’ for sterling option (see Example 1). Customers using an ATM that is operating DCC might be tempted to press ‘Yes’ for their home currency. However, as in restaurant and shops, Nationwide customers should always opt to pay in local currency. The Society would like to see improved clarity and transparency and will work to improve awareness amongst its customers.

Example 1: Dynamic Currency Conversion at ATM screen

You can be charged in GBP €0.00 = 0.00GBP Exchange rate 1GBP=€1.000 Markup 0.0% and Commission €1.1 on Banco XXXXXXXXXX wholesale rate Press Yes for GBP, No for €	
← NO	YES →

Tips for Nationwide’s card users abroad

- As Nationwide does not apply any foreign usage or conversion charges for making purchases or withdrawing cash using their debit or credit card abroad, customers should always opt to transact in the local currency of the country they are visiting.
- For Chip & PIN transactions, the payment terminal should indicate the value of the transaction in the local currency, for example Euros. If the transaction is not in the local currency, customers should request to change the transaction to the local currency.
- If the retailer or restaurant claims they cannot switch between currencies, customers should confirm they are entitled to pay in local currency. The retailer should speak to their bank for any clarification on this issue.
- Signature slips or bills where DCC has been applied may have a statement on them to the effect of “*I accept that I have been offered a choice of currencies for payment. I accept the conversion rate and final amount. I understand that the choice of transaction currency is final.*” If a choice hasn’t been offered and therefore the statement is false then a customer is within their rights not to sign the slip or bill. Altering the slip or bill however, such as crossing out the statement and amount in sterling, will not prevent the transaction being processed in sterling.

- Nationwide wants to ensure its customers continue to benefit from free card use abroad. Therefore, if a Nationwide cardholder encounters a retailer or restaurant not operating by the VISA guidelines they should contact the Society on 08457 30 20 10 with the details of the transaction and send the receipt where possible. Nationwide will raise the matter directly with VISA. VISA will take action if necessary to make sure the service is operating correctly.

Notes to editors:

Table 1:

Merchant (restaurant or shop) Sale				Other Bank Charge (includes 2.75% Fee)	Nationwide total transaction in £
Euro	GBP	Conversion Rate	Visa Rate		
33.00 €	£23.38	0.708484848	0.687469494	£23.31	£22.69
79.59 €	£56.43	0.709008669	0.6877248	£56.24	£54.74
110.00 €	£78.32	0.712000000	0.695154081	£78.57	£76.47

* Nationwide can only state the VISA positioning as we do not issue Mastercard branded Debit or Credit Cards

** Grupo Santander is one major provider who has registered to operate Dynamic Currency Conversion across its ATM network.