

# The Wall Street Journal

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WEDNESDAY JUNE 19, 2002 VOL. CCXXXIX NO. 119 ★★★ \$1.00

## Personal Journal.

# The Hidden Cost Of Your Debit Card

*If You Use a PIN Number, the Bank May Now Charge Extra; Protecting Yourself Against Theft*

By CALMETTA COLEMAN

**T**HINK TWICE before using your debit card in the checkout line.

Debit cards, which take money straight from your checking account, are one of the most successful financial products in years. Most can be used two ways: with a signature like a credit card or with a PIN, just like an ATM card.

But as the popularity of the cards soars, so have the fees charged to use them. In effect, banks have now devised a PIN penalty. A recent survey found that in New York state alone, 57% of the banks surveyed charge a fee for transactions that use a PIN. As a result, just using the card to pay for groceries or movie tickets can tack on as much as \$1.50 per transaction. Often, cardholders don't realize they are being charged a fee until they get their statement at the end of the month.

In recent months, some of the nation's larger banks, including FifthThird Bancorp and Key-Corp, have added such charges. The issue affects a growing number of people. At the end of 2001, there were 242.1 million total debit cards in use, according to the Nilson Report, which tracks the card industry.

Behind the PIN penalty are lucrative transaction fees paid by merchants. Debit transactions with signatures are processed by the same costly networks that handle normal credit cards. Trans-

### Protecting Your Card

Here are some tips:

- Insist on a debit card that can only be used with a PIN.
- Minimize potential damage by making sure your checking account isn't automatically linked to your savings account.
- If your bank offers it, get your picture on the card.
- Don't use debit cards in restaurants or other settings where a card might be out of your sight.

actions with a PIN are handled by lower-fee ATM networks. A Jefferies & Co. study found that retailers pay about 15 cents for each PIN transaction—but must pony up nearly 60 cents for each one done with a signature. The result: The bank gets a bigger payout when customers use a pen rather than a PIN.

Legal wrangling that could affect those fees is under way. Last week, the Supreme Court opened the way for a massive antitrust lawsuit against Visa and MasterCard International that gets to the heart of the issue. The nation's largest retailers, led by Wal-Mart Stores, sued in 1996, alleging the two companies use their credit-card market dominance to force stores to accept their debit

cards.

The merchants contend that the charges associated with signature debit transactions ultimately cost consumers billions of dollars a year and force the market to use an inferior product that is slower, less-secure and more costly. The Supreme Court's refusal to review a lower-court opinion on the suit sends the case back to federal court in Brooklyn, N.Y. If retailers win the lawsuit, merchants wouldn't be required to accept debit cards with a signature. That means consumers would have to use PINs when they make purchases with their debit cards.

Separate from the court proceedings is a security issue. *Please Turn to Page D3, Column 4*

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WEDNESDAY, JUNE 19, 2002

(continued)

## The Hidden Cost of Debit Cards; Protecting Yourself

Continued From Page D1

rity issue. Since the cards draw money directly from your account, unlike a stolen credit card, which won't deplete your personal funds, a stolen debit card can wipe you out. Although most banks promise to make restitution, that can take weeks, leaving you without funds and with checks bouncing.

The PIN serves as something of an electronic combination lock. Cards that permit signatures have less security. Since retailers generally don't ask shoppers for photo ID, a lost or stolen debit card can be used by any crook who can duplicate the signature on the back of the card.

"Consumer protections haven't kept up with the technology," says Jean Ann Fox, a spokeswoman for the Consumer Federation of America. "Debit cards have weaker protections than credit cards."

### Drained Account

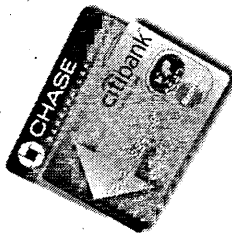
Some cardholders are finding that out the hard way. While traveling abroad in March, Elizabeth Burger,

### Dodging PIN Fees

Here's a selection of big banks that don't charge customers a fee for using their debit card with a PIN:

- Citibank
- Bank of America
- J.P. Morgan Chase
- Bank One
- Northern Trust

Source: the banks



an art professor from Baltimore, realized her wallet was missing just before she boarded a train in Paris. After the 45-minute train ride, she phoned her husband back in Baltimore and soon learned that the issuer of her MasterCard *credit card* had taken note of unusual charging activity and quickly shut down the card.

But Allfirst Bank, which issued her debit card, didn't catch the irregularities, and within 15 minutes a thief had drained her bank account, making off with \$2,188. "I had no idea anyone could take money from my checking account," says Ms. Burger.

### Marketing Push

Ms. Burger, an Allfirst Bank customer for 15 years, eventually got her money back after filing a complaint with the Federal Reserve in Richmond, Va., which oversees Allfirst. An Allfirst spokesman said, "We take these situations of debit-card fraud very seriously."

Compounding the problem, say critics, is a marketing push by banks to persuade people to forgo PINs. Commerce Bancshares, has been giving away \$1,000 a week in a promotion called "Skip the PIN and win." Several big banks award points toward merchandise or airline miles with every debit-card purchase. Citibank issues the points only when cardholders use a signature for purchases.