OFFICE OF CONSUMER PROTECTION

Choosing An e-Payment Method

April 29, 2020

What are my options?

These days, consumers have many ways of paying for goods and services. Cash, check, wire transfers, and money order are still acceptable forms of payment. However, given that many consumer transactions happen online, credit, debit and e-payments are continually eclipsing the cash alternatives. It is important to know the advantages and disadvantages of each one.

Credit Cards

A credit card is access to debt which you pay off monthly. It is not linked to a bank account, so no money will automatically be deducted from your bank account if the account is compromised. However, if payment is not made on time, interest and late fees can accrue. Using a credit card allows you to build your credit. Credit cards have federal statutory protections in place that debit cards and mobile pay apps do not. For online transactions, these protections are key. For example, The Fair Credit Billing Act limits your liability for unauthorized charges at $50.

Ensuring Integrity in our Marketplace

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If you have been a victim of a scam, or if you have any questions about a merchant's activities, please contact the Office of Consumer Protection.

100 Maryland Avenue
Suite 3600
Rockville, MD 20850
Main: 240.777.3636
Tip Line: 240.777.3681
Fax: 240.777.3768

You can also file a complaint online by clicking **HERE**

Credit cards may also have the added benefit of rewards or benefits like purchase or return protection, auto rental or lost baggage insurance, and the ability to dispute transactions.

Debit Cards

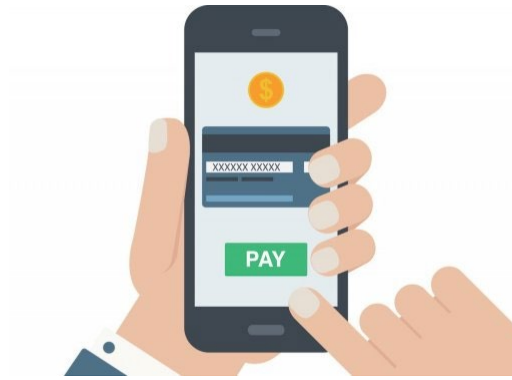
A debit card is linked to a bank account and is similar to cash. When using a debit card, you may have the option to choose “debit” or “credit” at the point of sale. If you choose “debit,” you will need to use a PIN. If you choose “credit,” you can sign for the purchase, rather than using a PIN. Either way, money will be automatically deducted from your bank account. Debit cards, even with a Visa or MasterCard logo, **do not** have the benefits or rewards that come with traditional credit cards. They are also **not** subject to the protections of the Fair Credit Billing Act. For ATM or hybrid debit cards, the [Electronic Fund Transfer Act] has a tiered protection system:

If you report:	Your maximum loss:
Before any unauthorized charges are made.	$0
Within 2 business days after you learn about the loss or theft.	$50
More than 2 business days after you learn about the loss or theft, but less than 60 calendar days after your statement is sent to you,	$500
More than 60 calendar days after your statement is sent to you.	All the money taken from your ATM/debit card acount, and possibly more; for example, money in accounts linked to your debit account.

If you have a problem with a purchase that is made with a debit card, you also do not *usually* have the option of disputing the charge.

Mobile Pay

Mobile pay apps, also known as Peer-to-Peer (P2P) payments systems, have become a popular way to transfer money. PayPal was the oldest of such systems. Newer systems include Venmo, Zelle, Apple Pay, Cash App and others.



P2P systems allow users to send money to each other through mobile apps linked to a bank account or card. These apps have even fewer protections because currently, there is an ambiguity in the law which treats these transactions like cash. Without statutory protections, consumers only have protections voluntarily provided by the companies in their Terms of Service. Added to this is the secondary risk of having your smartphone infected with malware rendering the information stored by these apps (direct access to your bank account and personal information) available to hackers.

There may also be privacy and security concerns. Venmo, for example, has an automatic social media feed which lets everyone see and know when you make any transfers. [Consumer Reports] has more information about privacy and data concerns with P2P apps.

These systems were intended for payments between friends and family who know and trust one another. They are not the way to shop online and should not be used to pay for goods or services.

There are steps that you can take to make using these apps more secure:

1. Always opt-in to the strongest security. Most systems offer higher levels of security through different settings.
2. Sign up for multi-factor authentication if offered.
3. Only send money to people you personally know.
4. Make sure you have all of the recipient's information correct before you send any money. Misdirected money is difficult to claw back.
5. Do not use these services for business purposes or for purchasing products or services.

Money Transfer Services

Western Union and MoneyGram are some of the companies that offer money wiring services. An individual can go to one of these locations with cash, and the recipient can pick it up at another location within a short period of time. There are fees associated with these transactions, and you cannot guarantee that the intended recipient will get the cash. As the FTC's settlement with Western Union shows, many scams are conducted using these services, as once the money has been picked up, there is no way to get it back.