

SIMPLY MONEY

Am I better protected with debit or credit?

Question: If my wallet is stolen, does a credit card or debit card offer better liability protection?

Answer: Here's the good news: Both offer protection, but in slightly different ways.

With credit cards, if you report the theft before your card is used, the Fair Credit Billing Act says the card issuer cannot hold you responsible for any unauthorized charges. If you report your card missing after a thief uses it, your liability is limited to \$50. Even better, the thief essentially spent the bank's money, meaning your checking account didn't get wiped out and you didn't incur overdraft fees.

Be sure to understand protection options before you buy supplemental coverage for credit cards. The Federal Trade Commission reports telephone scammers are trying to take advantage of the recent Dodd-Frank Wall Street and Consumer Protection Act by saying liability laws have changed. After preying on your sense of security, the scammers will try to sell you "loss protection" insurance. The FTC says this is worthless insurance – the scammers are just trying to get your personal information.

On the other hand, if your debit card or ATM card is stolen, acting quickly is key.

According to Simply Money guest expert Britt Scearce of Emery Federal Credit Union, if you report an ATM or debit card missing before it's used without permission, the card issuer cannot hold you responsible for any unauthorized transfers. However, if you report the theft after

unauthorized use occurs, your liability depends on how fast you act: If you notify the financial institution within two business days after the loss, you are liable only for up to \$50 of unauthorized charges. If you wait longer, you could be held responsible for as much as \$500.

There are also circumstances in which you could lose all the money in your account.

No matter what kind of card you have, it is important to call your card issuer immediately if it is stolen. To learn more about how to protect yourself, call the FTC toll-free at 877-382-4357 or go to the FTC website. Or for information on identity theft related losses go to the Entrust America website at www.entrustamerica.com.



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