

Debit & Credit Card Pros & Cons

When you use your debit card as a credit at the time of purchase, merchants immediately place a temporary hold or "block" on funds for the transaction as protection against fraud, errors or other losses. If the final purchase price is unknown when the card is swiped, the hold will likely be **more** than you actually spend. One common situation involves a hotel putting a hold of perhaps as much as \$250 or more for each day of an anticipated stay when you use a debit card (or credit card) to check into a room. Another example is when you use your debit card at the gas pump. The hold will be removed when the final transaction is processed, nearly immediately or perhaps a day or two later, but until then, you won't have access to that amount in your account.

When you run your debit card as a debit the money immediately will be taken from your account. Debit cards are useful for small and routine purchases, but they are considered less beneficial than credit cards for major purchases or buying items online because of the more limited protections in cases of unauthorized transactions or disputes.

On credit cards the law limits your losses to a maximum of \$50 if your credit card is lost or stolen. You are also protected against billing errors. The Federal law may allow you, under certain circumstances, to withhold payment on defective goods until the problem has been corrected. These protections are a big reason why most experts recommend credit cards – not cash, checks or debit cards – when paying for big ticket items or services that you want to know will work as promised.

Starting in February of this year a card issuer can't allow you to go over your credit limit and then charge a penalty fee for having done so unless you explicitly agree to this practice in writing. In contrast, most debit card issuers will assess a fee for making a purchase or other transaction that exceeds your account balance.