




Different Ways To Pay




There are many different ways we pay for goods and services. Some methods are more suitable for certain situations than others.



Cash - Pros

- Cash is very convenient in the face-to-face environment.
- It is most useful for paying for small value purchases like food, drinks or cinema tickets.
- It's also a convenient way to repay friends and pay for items quickly.
- Shops are happy to accept cash and there's no bank or card issuer fees on the transaction.



Cash - Cons

- Cash is less convenient when you travel. You need to carry local currency, and if you carry a lot, you put yourself at risk of theft.
- Cash cannot be used to make purchases online.
- If your cash is lost or stolen it is unlikely that you will get it back
- Counterfeit cash is worthless and you will lose the value of any cash that is found to be counterfeit.



Cheques

Cheques act as an instruction to a bank or building society to take money from your account to put into the account of the person who receives and pays in the cheque.

Each cheque is printed with its own unique number, the customer's name, their account number, sort code and address of the bank. A cheque is only valid when it is dated and signed by the account holder.



Cheques - Pros

- Cheques can be useful for paying larger sums of money that you're unlikely to keep in cash.
- They may be used to pay businesses or tradespeople who don't have the equipment to take cards.
- The account holder can pay the bank to stop a cheque if it is stolen.
- If a cheque book is stolen, all the cheques can be stopped.



Cheques - Cons

- Very few online retailers accept cheques.
- People can write cheques for more money than they have in their account. This can lead to cheques not clearing - money does not get paid to the payee's account.
- If you pay someone by cheque, you don't know when they will pay the cheque into their account. You need to make sure enough money is kept in your account until the cheque has cleared.



Debit Cards

Most banks issue debit cards to current account customers, allowing you to spend the money in your account. Debit cards can be used to buy goods and services and withdraw cash from your bank account in the UK and abroad. They are also a convenient way to pay for goods and services over the internet, by telephone or by mail order, both in the UK and abroad.




Debit Cards - Pros

- Some cards allow for small contactless payments, which makes queues move quicker.
- It keeps you within budget. When you use a debit card you're limited to spending the amount of money you have in your account.
- If the wrong amount is taken in a transaction, you can claim a refund.
- Cards can be cancelled or blocked if lost or stolen.
- The card issuer can refund victims of fraud, providing victims notify them as soon as possible.



Debit Cards - Cons

- Criminals sometimes target cash machines, use fake emails and websites and other opportunities to steal debit card details and other personal information.
- You don't improve your credit score. Paying bills, such as credit card payments, on time can help you to get a high credit score.
- Disputed charges can be more difficult to resolve.



Credit Cards

A credit card is a way to buy goods and services now, and pay later. A customer can spend up to an agreed credit limit and repay it, usually once a month on a particular payment date. If a customer doesn't pay back the full balance outstanding each month, interest is charged on the remaining money.



Credit Cards - Pros

- Credit cards are convenient as you don't need to carry cash.
- They allow you to borrow money without having to ask for a loan.
- They provide you with extra purchase protection.
- People who discover that their card has been used fraudulently by someone else can claim an immediate refund.
- Many credit card companies also provide perks for using their card.



Credit Cards - Cons

- Criminals sometimes target cash machines, use fake emails and websites to steal credit card details and other personal information from customers.
- Some people over use credit cards, spending more than they can afford to repay and getting into huge debt.
- If you don't pay off your balance in full each month you are charged interest.
- If you miss a payment or go over your credit limit you will be charged.



Prepaid Cards

A prepaid card is a card which has money loaded onto its account before it is used. It can only ever be used up to the value that is loaded. They can be anonymous like a gift card or they can be personalised in the name of the customer.

Some Prepaid Cards are fixed value and disposable (e.g. £20) or they can allow the customer to load it / top it up with money and then spend up to that amount.



Prepaid Cards - Pros

- Prepaid cards can be used by people with a poor credit history or no credit history who may not be given a credit or debit card.
- Prepaid cards can be more secure than carrying cash when traveling overseas. They can be bought and pre-loaded with the local currency before leaving the UK.
- You can only spend what is loaded on to the card, so you cannot get in to debt.
- Cards can be cancelled or blocked if lost or stolen.



Prepaid Cards - Cons


- Criminals sometimes target cash machines, use fake emails and websites to steal card details and other personal information from customers.
- Some prepaid cards cannot be used for particular types of purchases such as gambling and buying flight tickets.
- Some charge a registration fee, and some charge a top up fee when you add money to the card. Some
- prepaid cards also charge for cash withdrawals – especially overseas.



PayPal and Online Payments


There are other ways to pay online. PayPal is popular, so are electronic wallets provided by Google, Visa and MasterCard.

Customers pre-register their details to use these payment options and will be typically asked for their name, address as well as a credit or debit card number and the card's expiry date, or bank account number and sort code. Payments will be processed and money taken from the credit or debit card, or directly from the bank account.



PayPal - Pros

- Customers can store card details and only have to enter a username and password to pay.
- Customers can get a refund if there's a problem with something bought (e.g. if goods have been inaccurately described online or do not arrive), or their credit or debit card is used without their consent.
- After registering for the first time, customers no longer need to enter payment details and their address every time they buy something online.



PayPal - Cons

- If the customer does not have a strong password, or if their computer is hacked, criminals can use the paypal account to purchase goods and services.
- PayPal can immediately freeze your account and hold your money.
- PayPal is a private company and not ruled by as many regulations as traditional banks.

