Commission plans to tackle high, unfair fees in cross-border and currency conversion payments

Today the European Commission unveiled plans to address the unnecessarily high costs consumers face when they are abroad and are offered to pay in either the local currency or their own, which is known as Dynamic Currency Conversion (DCC) [1]. The EU executive arm is also looking to reduce the high fees consumers are usually charged when they make cross-border payments between euro and non-euro currencies. BEUC strongly supports action in both areas and is calling for an outright ban of DCC.

Monique Goyens, Director General of BEUC, the European Consumer Organisation, said:

“asking a consumer if he wants to pay in his or her own currency might seem like a nice service, but the reality is that the consumer is almost always paying through the roof for it. It is unrealistic to ask consumers to make the complicated calculations on the spot and just a ploy to get consumers to pay more for something. We believe that an EU ban on it would be hugely beneficial to consumers.”

EU consumers from both eurozone and non-eurozone countries are affected by DCC when they travel. A survey run by the Norwegian Consumer Council and Norwegian bank Sparebanken Vest found consumers pay more in 99.7% of cases, at an average of 7% extra, when they choose a DCC service [2]. British consumers travelling abroad are charged more than £300 million every year in dynamic currency conversion fees [3].

Today’s action plan also contains some other initiatives to create a single market for retail finance. These include plans to improve the quality of product comparison websites or make it easier to switch between products. However, BEUC is disappointed by the limited nature of the action plan.

Monique Goyens said:

“We expected more from this Commission which said it would empower consumers in retail finance, draft legislation from the consumer’s point of view and improve enforcement across Europe. There are many problems out there like poor quality financial advice, mis-selling scandals or unnecessarily complex financial products and the EU could do a lot more to improve the situation for consumers.”
When paying or withdrawing money in a foreign currency, consumers are offered the option to immediately see the transaction amount in their home currency. When choosing this option, consumers are often hit with exorbitant currency conversion fees. This is called Dynamic Currency Conversion (DCC).

The survey also found that the presentation of a DCC service at a foreign ATM or at a merchant’s terminal is designed to guide the consumer towards choosing the DCC service through using different colours, size of buttons or flashing signs. More on the survey here (in Norwegian): https://www.ntbinfo.no/pressemelding/sparebanken-vest-konder-gavvekk-over-50-millioner-kroner-ved-kortbruk-i-utlandet?publisherId=11357982&releaseId=11706308.

See a 2015 article from The Times: http://www.thetimes.co.uk/article/beware-the-currency-conversion-scam-g6n7mwbgnvx.

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