The European Consumer Organisation

Press Statement

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EU gives up in bid to help consumers on currency conversion scam – adopts consumer-friendly stance in cross-border payments

The EU institutions have reached a deal which will not prevent a currency conversion scam that affects travellers.

The EU Commission and Parliament capitulated in the face of Member State opposition to legislate on a practice called 'dynamic currency conversion', which is when travellers are asked whether they want to pay in their home currency when abroad [1].

The practice is often used by merchants in shops or at ATMs, and is increasingly widespread across EU countries. The consumer is given a choice about seeing the amount they pay or withdraw in their home currency or in the local currency. It almost always leads to the consumer paying more if they select the home currency option [2].

Monique Goyens, Director General of The European Consumer Organisation (BEUC), said: "After the initial fuss that the EU was going to tackle this scam, it is bewildering that the Commission and Parliament surrendered so easily to the Member States. The evidence around this scam is plentiful so how can the EU just turn its back on the consumer detriment? What is coming out of this negotiation is a complicated and fairly useless text from the consumer's perspective on currency conversion."

The EU negotiators preferred to focus on another aspect of the legislative file which is to – rightly – bring down the costs of transferring euros across the EU, including in non-euro-using countries. Consumers currently pay high fees for these kinds of transactions. The agreement will now bring the costs of such a transaction in line with the cost of an equivalent transaction inside a non-euro-using country [3].

Monique Goyens added: "Consumers from the 8 non-euros countries will appreciate the new rules on bringing down the cost of cross-border euro payments if the banks do not circumvent the rules by increasing their conversion fees."

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[1] The consumer will not be able to compare between the two options before the transaction. They will receive an SMS after the transaction with the amount deducted from their bank account. The consumer will also not be able to block the currency conversion practice on their card, as the Parliament had wanted.

[2] See a BEUC infographic and factsheet on the currency conversion scam.

Research from German testing organisation Stiftung Warentest found that consumers are almost always losing out when they pick the home currency option.

A study by a Norwegian bank covered 1,500 transactions by Norwegian customers abroad. Only 4 of 1,500 cases where cash withdrawals were in Norwegian kroner were cheaper than where the withdrawal took place in the local currency, meaning the consumer lost out in more than 99% of cases.

It’s estimated the average charge costs UK consumers £500m a year. See FT, Don’t get burnt by foreign credit card charges, 19 Oct 2017.

[3] For example, a Croatian consumer who transfers euros to Italy will be charged the same fee as for a transfer in kuna made within Croatia. This will be particularly helpful as most cross-border transactions in non-euro area Member States take place in euros. It could be a huge saving for consumers. Nevertheless if the consumer has a bank account in the local currency, the bank will take conversion fees which are not regulated.

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