



Travelers fume over credit card currency conversion fees

By Roger Yu and Charisse Jones, USA TODAY

Travelers face extra fees just about everywhere they turn, at the airport, at the hotel, and when they charge expenses abroad.

Corporate trekkers are particularly irked by the foreign currency conversion fees that many credit card companies and banks tack on for purchases abroad, generally adding another 3% to the final cost.

Now, some banks and financial companies are lowering or waiving the fees for top-tier customers to bolster loyalty and ensure their cards are grabbed first on an international trip. But more need to jump on the bandwagon, some frequent fliers say.

"I just opened up my (American Express) statement and found about \$84 in currency transaction fees in the statement," says Mike Nicholes, a technology consultant in Portland, Ore., who just returned from a business trip to seven countries in southern Europe. "I think they are usurious. The money exchangers will take their 'pound of flesh' out of every transaction, coming and going."

The pesky fees add up. For most accounts, Visa and Mastercard typically charge banks 1% of the charged amount, and then the banks typically add another 1.5% to 2%.

As a result, road warriors who travel frequently to foreign destinations say a bank's policy on foreign exchange fees can determine which cards they use. Capitol One, for instance, stands out among many corporate trekkers because it does not charge the extra percentage.

"It's been a long-standing policy," says Sukhi Sahni, Capital One's spokesperson. "Not only do we not charge a fee of our own, but we don't pass on the 1% Visa or Mastercard charges."

Other banks and companies have lifted the fees on select cards.

- American Express said in December that it's getting rid of the fees for U.S. consumers and small business members who use their Platinum or Centurion cards to buy overseas, effective by the end of this month.
- Simmons First and TD Bank don't charge foreign exchange fees for debit cards though they still charge 2% and 3% for credit cards respectively, according to Bankrate.com.
- Chase Card services does not charge the fees for four cards issued in conjunction with various partners, including the Priority Club Select Visa Card launched in July with IHG (InterContinental Hotels Group), the British Airways Visa Signature Card, and the Continental Airlines Presidential Plus Card.

"They are saving 3% by using these cards," says Gail Hurdis, spokeswoman for Chase Card Services. "With the research that was conducted prior to launching these cards, we heard that this was an important feature and one that would be valuable to customers and prospects who travel overseas."

Not everyone can take advantage of such premier cards. Many are reserved for wealthy members. American Express' Platinum card, for instance, has a \$450 annual membership fee.

Other consumers are tied to their airline or hotel-affiliated rewards cards, while corporate road warriors often are mandated to use the card issued by their employers.

Sid Methner, director of payment and risk management of Teligence, says he is charged the 3% fee on a card affiliated with Marriott, where he has a membership. "I want to maintain (it)," he says. "That leaves no other option."

Despite consumer protests, class-action lawsuits and increased competition, banks aren't showing signs of giving up their steady stream of revenue. Some card users and analysts say banks are getting even more creative in collecting them.

"For most consumers, foreign conversion fees aren't getting better," says Greg McBride, senior financial analyst for Bankrate.com. "If anything, they're becoming more prevalent. In particular, we're seeing currency conversion being applied to any transactions taking place in foreign soil regardless of currency. In some instances, they're being charged for transactions in the U.S. with a foreign entity."

Josh Keough, a frequent international business traveler, found out firsthand that he didn't have to be overseas to get hit with the foreign currency transaction fees.

The Detroit-area resident says that when he bought Skype credits online, American Express charged him 75 cents for every \$25 purchase because Skype is headquartered in Luxembourg. "That was when things started to get absurd," Keough says.

The fees can also be a nuisance when filling out corporate expense reports, some travelers say.

"These transaction fees are a pain," says George Chen, a management consultant from Chicago. "These charges show up as separate line items multiple days later."

Chad Griffith, a lawyer in Tokyo, now keeps a Capital One for traveling overseas after being hit with a fee by Citi for a dollar-based transaction with a foreign merchant. "There should be a law that requires notice in advance that you will be charged the fee," he says.

Other travelers have found ways to get around the fees.

Kathryn Alice, vice president of theportablelifestyle.com, says she books travel through U.S.-based companies for "the mere reason of avoiding the outrageous foreign transaction fees."

Geoffrey Ashton of San Francisco who travels frequently asked his bank to raise the maximum limit on daily withdrawals from the ATM to \$500 a day so he can avoid using his credit cards for shorter overseas trips.

But Joseph Cooke, an entrepreneur, says it takes too much time and effort to figure out less expensive options. "As a one man show, my time spent researching cards to save even 4% fees for credit card

purchases overseas would not be all that productive," he says. His last trip to the Britain racked up card purchases of \$2,100, and he estimates his fees totaled around \$80.

Merrill Davidoff, an attorney with Berger & Montague represented consumers suing who sued several large banks, including Citibank, Bank of America, and Providian, for colluding to set the exchange fees and failing to disclose them properly.

In 2006, the banks settled for \$336 million, but the payouts to roughly 30 million people who are eligible for a refund are on hold pending appeals, Davidoff says.

With banks consolidating following the financial crisis, there's not much incentive for financial institutions to get rid of the fees, he says.

"It's a tragedy that (the) banking crisis really aborted a lot of competition," he says. "It's greed and avarice. They can get away with it.

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