

Dealing With Debit Card Fraud & Lost Or Stolen Cards

by [John S Kiernan](#) | May 25, 2015



U.S. merchants and card issuers incur roughly **\$11 billion** in annual credit and debit card losses as a result of fraud and issuers spend another 6.5 billion on fraud prevention measures. Consumers, on the other hand, are relatively shielded from the financial repercussions of payments fraud, as card networks give us \$0 liability guarantees on credit card purchases and signature debit card transactions.

Lesser guarantees apply to PIN debit card transactions, however. But, regardless of whether you're using a credit card or a debit card, the question of how to report and deal with potential fraud still remains. We'll help answer that question and further analyze the repercussions of debit card fraud below.

No Liability For Signature Debits, But PINs & ATMS Aren't As Simple

The level of fraud liability protection that you enjoy ultimately depends on what type of transaction you're making. You'll always benefit from a \$0 liability guarantee for unauthorized *signature* debit card transactions. Rules for PIN debit card purchases and ATM transactions aren't quite as straightforward, however. Protections in such instances depend on the card network your plastic belongs to (i.e. VISA, MasterCard, American Express and Discover) as well as how quickly you report the potential fraud.

- **Signature Debit Transactions:** All four major card networks offer \$0 fraud liability guarantees.
- **PIN Debit Card Transactions:** VISA and MasterCard provide \$0 liability guarantees for transactions processed on their respective networks (consumers have no way of knowing what network will be used). Otherwise, you get no protection above the federal limits. Only Discover offers a complete \$0 fraud liability guarantee. (American Express does not offer PIN debit cards).
- **ATM Withdrawals:** For VISA and MasterCard ATM cards, protection above federal limits is at the discretion of the card issuer. American Express and Discover provide \$0 liability guarantees.

- **Federal Liability Limits:** Federal law limits liability to \$50 if you report fraud to the card issuer within two business days. Liability is limited to \$500 if you report within 60 days, and no protection is provided thereafter.

7 Key Steps To Take After Detecting Fraud Or Losing Your Card

Step 1 – Call The Issuer: The first thing you should do if you're convinced your debit card is lost, stolen or the subject of fraud is call the card's issuer. The table below has both online and phone contact information for the 10 largest banks and 10 largest credit unions.

Your involvement in the case of the lost, stolen or fraudulent card does not end once you've called the card's issuer. There are a number of additional steps you need to take in order to ensure you're back to full financial strength.

Step 2 – Activate Your New Card: You should both [sign the back of your card](#) and either call the activation number provided – usually listed on a sticker on the front of the card – or follow the instructions for online activation.

Step 3 – Change Your PIN: If you're concerned about potential fraud, it's best to change your PIN to something completely new. Then just be careful about who you share it with.

Step 4 – Update Billing Information: If you use your debit card for recurring monthly bills, you'll need to update your payment information in order to avoid penalty fees or a disruption of service.

Step 5 – Review Monthly Statements: You should closely examine monthly bank statements in the months after you get your new card – just so you don't miss additional signs of fraud that may indicate your problem has not been solved.

Finally, if you are the victim of debit card fraud, you'll want to minimize the chances of additional fraudulent transactions showing up on your account. This is a two-step process.

Step 6 – Revamp Your Defenses: From shredding documents and changing passwords to pulling and locking your credit reports, there are myriad measures you can take to better protect your personal finances. For the full list, check out our [Identity Theft Protection Guide](#) and use this unfortunate event as an opportunity to improve your financial management.

Step 7 – Identify Fraud's Source: In short, you'll want to retrace your steps in search of the source of your fraudulent transactions – perhaps a website or local restaurant. Simply stopping shopping there would be a quick and easy fix.

Ask The Experts:

Tracy A. Becker

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What tips do you have for consumers looking to minimize their chances of falling victim to debit card fraud?

1. Those who don't want to fall victim to debit card fraud should make sure they get alerts on the activity of their debit cards immediately, so they can monitor and confirm usage.
2. Keep debit cards secure and make sure you have privacy when putting your pin into a machine.
3. Do not give out pins or passwords or compromise them. It is always best to use your bank's ATM machine rather than a third party ATM.
4. Avoid keeping all your money in the bank accounts associated with your debit card - for protection, just in case your account becomes compromised.
5. Never email or give personal info by phone to a supposed creditor. If information is requested, call the creditor direct to make sure it is a legitimate request.
6. Make sure your network is secure before using banking sites online.
7. Cyber security - When shopping online be wary of entering card information into a site - it might be better to use a credit card for all online purchases.
8. Research apps before downloading them on your smartphone.
9. Check your ATM withdrawal and bank account activity consistently to identify fraud.

What are the best ways to deal with debit fraud after becoming a victim?

Report it immediately to the bank by phone and certified letter. Request the bank refund the fraudulent charges or withdrawals and waive any fees associated with the fraud (insufficient fund fee). Make sure to take notes when reporting fraud. Collect the name of the representative(s) you speak with at the bank, as well as the date and time you reported the incident. If the bank is not cooperating and blaming the cardholder, keep fighting and contact the FTC since they handle everything and can direct the fraud victim to the right consumer advocacy group or government agency. Although it can be much harder to get a refund for debit card fraud than getting a fraudulent credit card charge waived, it is worth fighting for. The key is reporting it quickly and knowing your rights. Research Regulation E, which covers electronic transfers.

Which do you believe offers superior fraud protection: credit cards or debit cards? Why?

The level of protection offered by debit cards is similar to the protection offered by credit cards, but the out of pocket could be greater for debit cards. Consumers may opt to using a credit card for purchases since it is not connected to checking or savings accounts and there is less chance that funds will be compromised. With debit card fraud - if the fraudulent charges are noticed and reported as soon as possible, the bank should be able to refund the false charges and the loss will be minimal to the cardholder. If the fraud is reported after a few days, the victim may be liable for \$50

but after that, if it is reported within 60 days of the fraud they can be liable for up to \$500. The problem is if the fraud goes undetected for more than 60 days from receiving their bank statements, the victim loses their right to get a refund. Banks can also use their discretion in many cases as to whether they think the cardholder should get a refund. Most credit card companies allow for a loss of \$50 to the victim but generally waive that fee.

Credit card companies are usually very alert to the signs of credit card fraud and will usually notify the user immediately and investigate the charges when fraudulent activity is suspected. Disputing a charge on a credit card is much easier than fighting for a refund, since there is no out of pocket cost for the consumer and little impact on their daily life. In many cases, reporting and handling fraud is more of an inconvenience to the customer than anything else, and with the increase in identity theft banks and credit card companies are doing more to protect their customers. If you want to be safe, using a credit card would be the easier process if fraud occurs.



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