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FINANCIAL PLANNING

HOW TO AVOID CONTACTLESS CARD FRAUD

Protecting against problems in a cashless society.

The UK's shift towards becoming a cashless society is well and truly under way, according to UK Finance, which said the number of payments made using notes and coins fell by 35% in 2020.

Changes in spending habits were dramatically accelerated by the COVID-19 pandemic, with 13.7 million people using cash either only once a month or not at all last year – almost double the 7.4m figure in 2019.

Nearly a third (32% – or 17.3m) of the UK's adult population made payments using their mobile phones or smart watches by the end of 2020, while online and mobile banking use also shot up during the same time.

“The pandemic resulted in some marked changes in payments behaviour,” said David Postings, chief executive at UK Finance.

“While it's too early to say whether they are permanent changes, we did see an acceleration in some existing trends, such as the reduction in cash usage and the growth in contactless and mobile payments.”

With the days of carrying cash falling dramatically, problems of yesteryear – such as being short-changed or pick-pocketed – are all but over in the UK.

But in 2022, the contactless revolution is bringing some new problems as well as advantages. After the contactless limit rose from £45 to £100 in October 2021, is that a fraudster's dream?

THE RISE OF CONTACTLESS

The convenience of tapping a card or flashing your smartphone to pay, rather than fumbling with cash or signing your name, has been a long time coming.

The first contactless credit and debit cards were introduced in the UK in September 2007, at which point no more than £10 payments could be made.

They became an instant hit as a simple way to make quick, small purchases, such as buying a sandwich or a round of drinks at the pub. But the initial £10 spending cap has repeatedly increased ever since.

The limit was raised gradually, to £15 in 2010, to £20 in 2012, to £30 in 2015, and then to £45 in 2020 as the pandemic expedited a move away from cash.

These transactions have become so popular that 9.6 billion contactless payments were made in 2020, accounting for 27% of all payments in the UK.

THE CONTACTLESS RISKS

Every contactless card has a small chip that emits radio waves when it is powered up by a card-reading machine.

When you pay for something, you hold the card near the machine. The machine emits an electromagnetic field and only when a card enters this field it is powered 'on'.

The chip and the reader communicate with each other using an encrypted language to conduct a coded data transfer with your bank. This allows us to make payments with a simple tap, without any further checks such as entering a PIN number.

While contactless cards make it easy to purchase small everyday items quickly, saving you and retailers valuable time, they are also simple for fraudsters to use.

The £100 limit puts more of your money at risk, especially if

you happen to lose the card or it's stolen and used by a criminal before you can notify your bank.

Going back 10 years, when people used cash more regularly, criminals tended to install card-reading devices at the cash machines. When cash was withdrawn from the machine, people's bank details could be skimmed.

Skimmers still exist today but they've evolved with the times. Nowadays they are known to carry electronic devices capable of activating your card and stealing its details, possibly all while it is still in your pocket.

That could occur by a scammer standing close to you to gain your card details, although some might have access to more powerful devices which work at a distance.

With the cap on contactless transactions being increased to £100 late last year, it's natural to fear that more of your money might be at risk.

PROTECTION OPTIONS

If you run a business, it's possible to cover the financial damages resulting from fraud committed by employees or third parties. But there's no such thing for consumers.

However, most banks offer the same protection from fraud when you make contactless payments as when you make chip-and-PIN purchases and online purchases.

As long as you haven't been negligent, such as letting someone else use your card, you're not usually liable for any fraud on your account, and the UK regulator, the Financial Conduct Authority, has issued guidance about this.

While there's no specific insurance product on the market to prevent you from becoming a victim of contactless card fraud, there are some simple steps to minimise the risk.

Always stay in control of your bank card. That might sound like a no-brainer, but there's no reason in this day and age to hand your card over.

That opens the door to someone taking it out of sight and potentially running it through a skimming device. Most banks would not offer protection in this event.

Another obvious one, but get a receipt if you want to keep track of your spending. That's the only way to ensure you aren't being overcharged, especially when the cost of goods is high due to the current rate of inflation.

Regularly check your bank statements and keep an eye out for unusual transactions. If, for example, you lose your bank card or have it stolen, don't assume your card can no longer be used after it's been cancelled. Some banks might still debit your account and won't check whether you made the purchase.

You can also purchase a card-shielding case to reduce the chances of you being skimmed. Even though the odds are slim, this simple precaution prevents your bank card from being read.

Finally, don't be afraid to set your own spending cap. If you don't need to spend £100 a day on everyday goods, many banks let you set your own limits. Others even let you switch off contactless functionality to eradicate the risk.

OTHER WAYS TO MANAGE YOUR MONEY

How you manage your money goes beyond just the cards in your pocket or stored on your smart devices and we can help you find better ways to manage your finances.

Whether that's finding you better deals on your insurance protection or your mortgage to free up more cash for your weekly budgets, or offering long-term planning to help you build your future wealth, we are here to help.

If you instruct us, we can check your entire financial situation, come up with a suitable financial strategy and then comb the entire market for the best products to fit your requirements.

We can help with sorting out your pension and give investment advice on buying funds, an ISA or just managing your cash more efficiently.

 [Contact us for independent financial advice.](#)

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