

April 2014

Dear Clients and Friends:

One of my clients told me if their debit card were hacked, they could only be liable for up to \$50. It's likely a lot of people are under the same misunderstanding. It might seem a little strange, but the maximum liability on a debit card is probably either going to be zero, or all the money in the linked bank account.

If your CREDIT CARD is lost or stolen, the federal Truth in Lending Act limits your liability for fraudulent charges to \$50. Most credit card lenders want to keep your business, and they won't make you pay even that.

However, DEBIT CARDS don't carry the same legal protection. Debit cards fall under a different law, the Electronic Fund Transfer Act. It's a bit complicated, but here's how it works. Once you discover your card has been lost or stolen, or you look at your statement and see there are fraudulent charges, you have two business days to notify your financial institution and limit your loss to \$50.

If you wait more than two days but notify your bank within sixty days of the date your statement is mailed, your loss is limited to \$500. Wait longer than that, and you could lose all the money in your account. You could even lose money in accounts at the same bank that are linked to the account associated with your debit card.

Some banks provide zero-liability debit cards, where the protection goes beyond what the law requires. So you need to be more careful in selecting and using a debit card, compared to a credit card. If you use a debit card and aren't sure about the potential liability, check with your bank.

Regards,



Charles M. Shackelford