YOUR MONEY

Compare forex cards on total cost, transparency

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Thomas Cook India has relaunched its One Currency Card with zero forex markup on card loading and zero cross-currency conversion charges. Travellers can preload US dollars, lock in the rate, and spend in other currencies without an additional conversion charge.

However, before purchasing any forex card, buyers should compare exchange rates, fees, acceptance, reload options, and security controls.

Zero markup

Forex markup is charged over the prevailing interbank exchange rate.

"Its removal translates into immediate savings at the time of loading the card," says Deepesh Varma, chief business officer–foreign exchange, Thomas Cook (India).

He adds that forex markup generally ranges from 0.75 per cent to 2 per cent, depending on the provider, currency, and transaction value. The average, he says, is typically around 1.5 per cent.

Currency conversion charges

A cross-currency conversion charge generally applies when a traveller pays in a currency different from the one loaded on the card. "When a customer pays in a local currency using a US dollar-denominated card, a cross-currency conversion charge of 2 to 4 per cent may typically be applicable," says Varma.

Zero cross-currency charge lets customers load US dollars once and use the card across destinations. They need not load local currencies for each destination on a multi-country trip.

Lock in the exchange rate

A forex card reduces the need to carry cash. It also allows travellers to lock in the exchange rate before departure. "This is beneficial when the rupee is expected to depreciate. It protects the traveller from exchange-rate movements during the trip," says Vishal Dhawan, chief executive officer (CEO) and founder, Plan Ahead Wealth Advisors.

Forex cards also offer more competitive exchange rates than most debit or credit cards. "Many debit and credit cards levy forex markup or cross-currency charges of around 3.5 per cent plus applicable taxes," says Gagan Malhotra, chief operating officer, BookMyForex.com.

Travellers, however, need to contact the provider to reload a depleted forex card. A lost card with a substantial balance could be misused. "The risk arising from a lost card may be lower in a credit card," says Dhawan.

Compare the exchange rate

A low forex markup should be a priority when selecting a forex card. "The exchange rate should be as close to the mid-market rate as possible," says Taneia Bhardwaj, South Asia expansion lead, Wise. She suggests choosing a card that discloses its pricing clearly.

"A spread of around 1 per cent is reasonable. Around 1.25 per cent may be acceptable in cases where the card offers greater convenience," says Dhawan.

Zero cross-currency conversion charge is suitable for multi-country travel. Frequent cash users should avoid cards with high cash-withdrawal charges.

Bhardwaj suggests comparing the total cost of obtaining a card from a provider. "Multiple charges for loading, cross-currency usage, or inactivity can make a forex card expensive," says Bhardwaj.

Some cards impose dormancy fees after three, six, or 12 months of non-use. Assess these charges based on how frequently you expect to use the card.

Check whether the card works at merchants, restaurants, hotels, and automated teller machines (ATMs) at destinations on the itinerary. Acceptance on a globally recognised payment network improves reliability.

Check digital features

Digital onboarding should be simple. App-based controls should make the card easy to manage. Travellers should also check how easily they can reload the card while overseas.

Real-time spending notifications help users spot unauthorised activity. "The user should be able to lock and unlock the card instantly and enable or disable transaction channels," says Malhotra.

Emergency assistance is useful if the card is lost, stolen, or compromised. Buyers should check card-replacement support and examine the insurance cover. "Some cards provide insurance against counterfeit transactions, skimming, phishing, and unauthorised usage," says Malhotra.

Charges issuers levy

Exchange rate markup: Varies; 2-4% among traditional providers

Currency conversion fees: Often around 3%

ATM withdrawal charges: Varies; commonly around US $2 (or equivalent) per withdrawal

Card issuance fees: ₹300–500

Card reload fees: ₹75–100 per reload

Card replacement fees levied too

Inactivity or annual fees: Typically charged after 12 months

Charges for closing the card or withdrawing the remaining balance

Source: Wise

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