



## A guide to credit and debit cards

A **debit card** (also known as a bank card or cheque card) is a plastic card that provides an alternative payment method to cash when making purchases. Functionally, it can be called an electronic check, as the funds are withdrawn directly from either the bank account, or from the remaining balance on the card. In some cases, the cards are designed exclusively for use on the Internet, and so there is no physical card

In many countries the use of debit cards has become so widespread that their volume of use has overtaken or entirely replaced the check and, in some instances, cash transactions. Like credit cards, debit cards are used widely for telephone and Internet purchases and, unlike credit cards, the funds are transferred immediately from the bearer's bank account instead of having the bearer pay back the money at a later date.

Debit cards may also allow for instant withdrawal of cash, acting as the ATM card for withdrawing cash and as a check guarantee card. Merchants may also offer cashback facilities to customers, where a customer can withdraw cash along with their purchase.

A **credit card** is a small plastic card issued to users as a system of payment. It allows its holder to buy goods and services based on the holder's promise to pay for these goods and services. The issuer of the card creates a revolving account and grants a line of credit to the consumer (or the user) from which the user can borrow money for payment to a merchant or as a cash advance to the user.

A credit card is different from a charge card: a charge card requires the balance to be paid in full each month. In contrast, credit cards allow the consumers a continuing balance of debt, subject to interest being charged. A credit card also differs from a cash card, which can be used like currency by the owner of the card. Most credit cards are issued by banks or credit unions, and are the shape and size specified by the ISO/IEC 7810 standard as ID-1.

### Maestro

Maestro is a multi-national debit card service owned by MasterCard, and was founded in 1990. Maestro cards are obtained from associate banks and can be linked to the cardholder's current account, or they can be prepaid cards. The cardholder presents the card at the point of sale (POS) and this is swiped through the terminal by the assistant or the customer or inserted into a chip and PIN device. The payment is authorised by the card issuer to ensure that the cardholder has sufficient funds in their account to make the purchase and the cardholder confirms the payment by either signing the sales receipt or entering their 4 to 6-digit PIN.

Within the EU and certain other countries, Maestro is MasterCard's main debit brand and is the equivalent of signature debit card which does not require electronic authorisation, similar to the Visa Debit card. In most other countries, Maestro is equivalent to a Visa Electron and is MasterCard's tertiary card. It requires electronic authorisation much like a Solo debit card, i.e. not only must the information stored in either the chip or the magnetic stripe be read, this has to be sent from the Merchant to the issuing bank, the issuing bank then has to respond with an affirmative authorisation. If the information is not read, the issuer will decline the transaction, regardless of any disposable amount on the connected account. This is different from other debit and credit cards, where the information can be entered manually into the terminal (i.e. by punching the 13 to 19 digits and the expiry date on the terminal) and still be approved by the issuer or stand-in processor

## **Visa**

Visa Inc. is a global payments technology company headquartered in San Francisco, California. It facilitates electronic funds transfers throughout the world, most commonly through Visa-branded credit card and debit cards. Visa does not issue cards, extend credit or set rates and fees for consumers; rather, Visa provides financial institutions with Visa-branded payment products that they then use to offer credit, debit, prepaid and cash-access programs to their customers. In 2008, according to The Nilson Report, Visa held a 38.3% market share of the credit card marketplace and 60.7% of the debit card marketplace in the United States. In 2009, Visa's global network (known as VisaNet) processed 62 billion transactions with a total volume of \$4.4 trillion

### **Visa Debit**

Visa Debit is a major debit card issued by Visa in the United Kingdom, the Republic of Ireland and other nations of the European Union. Prior to October 2004, the debit card was known as Visa Delta. Since June 2009, the major banks in the UK have begun issuing Visa Debit. Barclays, Bank of Scotland/Halifax, Lloyds TSB, and Santander have already issued the card. HSBC, RBS (including NatWest and Ulster Bank) are currently in the process of migrating to the card from the Maestro debit card.

The scheme is also used by many smaller banks and building societies (some of whom had also previously been Switch issuers) including the Co-operative Bank, First Trust Bank, Alliance & Leicester, Northern Rock, Reliance Bank, Nationwide and Coventry Building Society. In October 2010, CIBC became the first bank in Canada to offer a debit card (the CIBC Advantage Card) that offers access for point of sale shopping internationally, over the internet or by mail or telephone orders using the Visa debit network. It also provides access to the *Interac* network for point of sale shopping in Canada.

### **Visa Electron**

Visa Electron is a debit or credit card available across most of the world, with the exception of Canada, Australia, Ireland and the United States. The card was introduced by VISA in the 1980s and is a sister card to the Visa Debit card. The difference between Visa Electron and Visa Debit is that payments with Visa Electron require that all the funds be available at the time of transfer, i.e., Visa Electron card accounts may not be overdrawn. Visa Debit cards, on the other hand, allow transfers exceeding available funds up to a certain limit. Some online stores and all offline terminals (like on trains and aircraft) do not support Visa Electron because their systems cannot check for the availability of funds.

## MasterCard

MasterCard Worldwide is an American multinational corporation with its headquarters in the MasterCard International Global Headquarters in Harrison, New York, United States. Throughout the world, its principal business is to process payments between the banks of merchants and the card issuing banks or credit unions of the purchasers who use the "MasterCard" brand debit and credit cards to make purchases. MasterCard Worldwide has been a publicly traded company since 2006. Prior to its initial public offering, MasterCard Worldwide was a membership organization owned by the 25,000+ financial institutions that issue its card.

MasterCard, originally known as MasterCharge, was created by several California banks as a competitor to the BankAmericard issued by Bank of America, which later became the Visa credit card issued by Visa Inc. The original banks behind MasterCharge were United California Bank (later First Interstate Bank and subsequently merged into Wells Fargo Bank), Wells Fargo, Crocker National Bank (also subsequently merged into Wells Fargo), and the Bank of California (subsequently merged into the Union Bank of California).

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