



Debit Card Liability

When cash is stolen out of your wallet, you almost never receive your money back and there is very little you can do to retrieve it. However, a benefit of debit cards is that there are safety measures you can and should take to limit your liability for stolen funds.

The Electronic Fund Transfer (EFT) Act establishes rights and liabilities of consumers, as well as the responsibilities of your bank or credit union.

The EFT Act outlines the conditions under which you may be held responsible for unauthorized use of your debit card.

It's important to note, when it comes to liability for unauthorized use of your debit card, many financial institutions have adopted zero cardholder liability policies. In some cases, this is also true for business debit cards. Contact your financial institution to clarify the limitations of liability of your card.

Here is what you need to know as a responsible debit cardholder:

Guideline 1

Timely notice given

Your role as a responsible cardholder is to notify your financial institution within **two business days** from the moment you realize your card has been lost or stolen. If you notify your financial institution within two business days of learning that your card was lost or stolen, your liability is capped at \$50.

Example 1

Monday	Tuesday	Wednesday	Thursday	Friday
Your debit card is stolen without your knowledge.	Perpetrator spends \$60 on your card.	You discover your card has been stolen.	Perpetrator spends \$200 on your card.	You report your stolen card within the two-day timeframe. Your liability: \$50.

Because you were able to report the theft within two business days of *discovering* that your card was lost or stolen, you are only responsible for \$50 of the total loss and not the full \$260.

Example 2

Monday	Tuesday	Wednesday	Thursday	Friday
Your debit card is stolen without your knowledge.	You discover your card has been stolen.	Perpetrator spends \$30 on your card.	You report your stolen card within the two-day timeframe.	Perpetrator spends \$10 on your card. Your liability: \$30.

Because you were able to report the theft within two business days of *discovering* that your card was lost or stolen, you are only responsible for \$30, the total amount lost on your card, which is less than the \$50 liability cap.

Guideline 2

Timely notice not given

If you do not notify your financial institution within two business days of learning of the loss or theft of your debit card, the liability cap increases to the **lesser** of \$500 or the sum of:

- \$50 or the amount of unauthorized transfers that occur within the first two business days after you learn of the loss or theft, **whichever is less**; and
- The amount of unauthorized transfers that occur after the close of two business days and before notice to your financial institution of the loss or theft, provided that your financial institution establishes that these transfers would not have occurred had you notified them within the two-day period.

Example 1

Monday	Tuesday	Wednesday	Thursday	Friday
Your debit card is stolen without your knowledge. Perpetrator spends \$60 on your card.	You discover your card has been stolen. Perpetrator spends \$200 on your card.	Perpetrator spends \$100 on your card.		Perpetrator spends \$200 before you report your stolen card. You report your stolen card outside the two-day time frame. Your liability: \$250.

Because you were aware that your card was lost or stolen, but you did not notify your financial institution within the two-day timeframe, your liability cap increases to a maximum of \$500. In the example above, you are liable for \$250. Here's why:

- Within the two business day window, the perpetrator spent a total of \$360. If you had notified your financial institution of the loss or theft of your debit card at that point, you would be liable for only \$50, given Guideline 1. The same \$50 limitation of liability applies for these two days, **even though you didn't report the loss or theft by the end of the second business day.**
- Because the perpetrator continued to spend on your card without your notification to your financial institution, an additional \$200 was lost on your card on Friday.
- Guideline 2 indicates that you are liable for up to a total of \$500, if you fail to notify your financial institution within the first two business days. Because an additional \$200 was lost after the first two business days, you are responsible for this amount, plus the \$50 lost during the two business day window, for a total of \$250.

Example 2

Monday	Tuesday	Wednesday	Thursday	Friday
Your debit card is stolen without your knowledge. Perpetrator spends \$60 on your card.	You discover your card has been stolen. Perpetrator spends \$200 on your card.	Perpetrator spends \$200 on your card.		Perpetrator spends \$1000 before you report your stolen card. You report your stolen card outside the two-day timeframe. Your liability: \$500.

Again, because you were aware that the card was lost or stolen, but did not notify your financial institution within the two-day time frame, your liability cap is set at a maximum of \$500. In this case, you are only liable for \$500 since the total loss is more than that amount. Here's why:

- Within in the two business day window, the perpetrator spent a total of \$460. If you had notified your financial institution of the loss or theft of your debit card at that point, you would only be liable for \$50, given Guideline 1. The same \$50 limitation of liability applies for these two days, even though you didn't report the loss or theft by the end of the second business day.
- Because the perpetrator continued to spend on your card prior to your notification to your financial institution, an additional \$1,000 was lost on your card.
- Guideline 2 indicates that you are not liable for any amount exceeding a total of \$500, so you are responsible for only \$500 of the total loss (\$50 from the fraud during the first two business days and \$450 from the \$1,000 of fraud that could have been prevented had you timely reported the card loss).

As a reminder, even under these scenarios, the majority of financial institutions offer zero liability on personal debit cards, which means the debit cardholder is not held liable for fraudulent usage of the card.

To learn more, read the EFT Act (Regulation E) in its entirety.

Click this link <http://www.fdic.gov/regulations/laws/rules/6500-3100.html>