

Transfer talks

WHAT YOU'LL LEARN

- The different ways of transferring money overseas
- Ways to avoid fees and how to get the best exchange rate
- How to avoid potential risks

Finding the best way to send your money overseas isn't always simple – we compare the options available to find the quickest and cheapest routes for your needs

Sending money overseas can be daunting – consumers are faced with a broad range of transfer options, with a confusing cocktail of fees and exchange rates. Perhaps it's no surprise that of the 36% of Which? members who have made a transfer overseas, the majority took the most conventional route – a bank – to do so. But do they offer the best value, and are the alternatives safe?

The transfer options you pick depend on a number of factors. How much you're transferring and how quickly you need it to arrive are as important as where you're sending the money to and where and how the recipient can collect it. We checked two scenarios to test the speed, safety and expense of these services – £100,000 to Spain, perhaps as a deposit on a home, and £100 to India for your backpacking teenager who has run out of cash.

The transfer market

Banks

More than three quarters of Which? members who have made a money transfer overseas used a bank. When making any transfer, it's important to balance exchange rates with any fees you may incur – this is especially important with banks, as we found that they impose the highest fees. Fees depend on the following five variables.

- 1** The country the money is being transferred to – especially whether it's in the European Economic Area
- 2** The speed of the transfer (with some banks offering standard as well as fast services)
- 3** The status of the customer (for example, HSBC Premier customers can avoid certain fees)
- 4** Whether the transfer is made at a branch, online or over the phone. (Some only allow one method)
- 5** Whether or not you're making the transfer to a bank overseas that's affiliated to yours.

It's very important to check whether the receiving bank also imposes a fee, and who will have to pay this. The UK banks we surveyed told us that fees are more

likely to be imposed outside the European Economic Area (EEA).

It's worth checking whether your bank has an affiliate at the destination overseas, or even a bank account for people making regular money transfers to see whether you could save on fees – especially if making frequent transfers to the same account. However, using an affiliate won't always mean avoiding fees from the receiving bank. For example, non-premier HSBC customers will have to pay a further £6 charge from the receiving branch as well as the transfer fee.

Money transfer operators

Thirteen per cent of Which? members used a money transfer operator (MTO). The two biggest names, Western Union and MoneyGram, can provide near-instant transfers to nearly anywhere in the world for a fee. Western Union says that it has

370,000 agents worldwide, while MoneyGram claims 190,000.

Despite their presence in distant corners of the globe, MTOs aren't always able to transfer large sums – MoneyGram told us that it can transfer a maximum of £5,000, while Western Union told us its customers can transfer up to £1,000 on the phone. The maximum transfer at a Western Union branch can vary, for example, it's around £1,700 to India and £2,600 to Spain.

Unlike with other providers, using a MTO means that neither you nor the recipient needs a bank account, though you may need to provide proof of identity and address when making transactions. MoneyGram told us that collection options vary depending on the country.

Foreign currency brokers

A small number of Which? members used a foreign currency broker to send money

Which? Research

1,327 members of the online Which? community completed our survey in February/March 2010

Which? online

If your thinking of spending not sending money abroad, visit go.which.co.uk/moneyabroad for more information

overseas. Brokers claim that by bulk-buying large amounts of foreign currency they are able to offer more competitive exchange rates. Some of the biggest names include HiFX, World First and Moneycorp.

After setting up an account with the broker, customers transfer money from their bank account to the broker, who then passes it on to the recipient's bank account in their local currency. We found they generally impose fewer fees than a bank, though charges from the receiving bank can still apply.

What if things go wrong?

Since November 2009, companies have been required to register with the FSA before the April 2011 deadline. If the firm is FSA registered, you'll be able to take a complaint to the Financial Ombudsman Service if anything goes wrong. FSA-authorized firms must keep their

customers' money separate from their own funds, meaning that if they go bust, your money should be safe.

Banks and building societies should be FSA authorised and all the companies we surveyed are. However, if you decide to use a provider not mentioned here, check that it's authorised.

Know your rights

Within the EEA the service provider is required to tell you the cost of the transfer (including fees and exchange rates) and when the funds will be available to the recipient. After you've completed the transaction, the service provider must provide you with a reference number and information about collection of the money.

Unfortunately, transfers made outside the EEA are not subject to the same standards as those within it – you're not entitled to the same level of information and there's

no limit on how long a transfer can take. The Department for International Development has helped set up the 'Remittances Customer Charter', a voluntary set of standards for overseas transfer companies. Firms signed up to the Charter promise to provide a similar level of information for worldwide transfers as those already required within the EEA.

At the time of going to press, MoneyGram was the only company in our survey signed up to the Charter. If transferring outside the EEA, make sure the company gives you as much information about the transfer as possible.

What are the alternatives?

If you want to make regular transfers, a current account for use abroad could be a cost-effective option. For spending abroad using a credit, debit or prepaid card, visit go.which.co.uk/moneyabroad.

CHECKLIST

1 Think hard about the overseas money transfer you're making – is it a one-off, or are you going to be making repeat transfers? See sites like www.sendmoneyhome.org for more information.

2 For frequent transfers see if your bank has a specific account for facilitating cheap transfers to a particular country.

3 For a large one-off transfer, compare rates across foreign currency brokers. Be sure to check

whether the firm is FSA-authorized first.

4 For a small one-off transfer, consider using a MTO. If speed isn't an issue, see whether the sum is above the minimum transfer value for foreign currency brokers.

5 Ensure you get as much information about the transfer as possible, including the maximum time the transfer will take, the total cost and any obligations on the recipient.

OUR EXAMPLES

We've looked at two separate examples of money transfers. The first involves sending a large amount within Europe – for example, if you're buying a house. The second is for a smaller transfer to India – as a gift to a relative or emergency money for a family member travelling there.



SPAIN

Our first scenario involved a transfer of £100,000 to an unaffiliated bank in Spain. When transferring very large sums like this, it's important to shop around for the best exchange rate – a slightly better rate could mean a difference of thousands of pounds. We found that foreign exchange brokers, such as Moneycorp, on the day we checked, offered better exchange rates. They also imposed fewer fees than banks, though transfer times varied across both types of company. This scenario was well above the maximum amounts for MTOs such as Western Union and Moneygram.

SPAIN										
PROVIDER	TRANSFER DETAILS				CHEAPEST OPTION			FASTEST OPTION		
	ONLINE	PHONE	BRANCH	EXCHANGE RATE (GBP – EUROS)	FEES (£)	MIN TIME	MAX TIME	FEES (£)	MIN TIME	MAX TIME
BANKS										
HSBC	No	No	Yes	a	30	1 day	n/a	30	1 day	n/a
BARCLAYS	No	Yes ^b	Yes	1.118	15	2 days	2 days	40	Same day	1 day
NATWEST	No	Yes	Yes	1.144	10	3 days	5 days	27	1 day	2 days
MONEY TRANSFER OPERATORS (MTOs)										
MONEYGRAM	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
WESTERN UNION ^c	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
FOREIGN CURRENCY BROKERS										
WORLDFIRST	Yes	Yes	Yes	1.157	None	Same day	1 day	None	Same day	1 days
MONEYCORP	No	Yes	Yes	1.154	15	Same day	1 day	15	Same day	1 days
HIFX	Yes	Yes	No	1.158	None	Same day	7 days	None	Same day	7 days
CAXTON FX	No	Yes	No	1.157	None	1 day	5 days	None	1 day	5 days

^a HSBC told us this rate would need to be booked in advance ^b Available to customers set up for telephone banking ^c Western Union declined to take part in our survey. Rates checked for 24 May. As these rates were checked on one particular day, they are not intended as a guide to which provider offers the best exchange rate.



INDIA

Our second scenario was for a transfer of £100 to India. This is the sort of transfer that MTOs specialise in – MoneyGram offered a 10-minute transfer for £4.99. In the case of emergency transfers abroad, the British Foreign & Commonwealth Office advises customers to use MTOs, with many British embassies overseas recommending Western Union. Smaller transfers can see fees seriously erode the funds you're transferring, especially with banks. For an urgent transfer to India with Barclays, the fee was nearly half the transfer value (£40). For some of the foreign exchange companies, this fell below the minimum transfer amount (though some told us that they would allow smaller transfers for regular customers).

INDIA										
PROVIDER	TRANSFER DETAILS				CHEAPEST			FASTEST		
	ONLINE	PHONE	BRANCH	EXCHANGE RATE (GBP – INDIAN RUPEES)	FEES (£)	MIN TIME	MAX TIME	FEES (£)	MIN TIME	MAX TIME
BANKS										
HSBC ^a	Yes	No	No	66.22	17	4 days	6 weeks	17	4 days	6 weeks
BARCLAYS	No	Yes ^b	Yes	65.09	25	3 days	8 days	40	2 days	7 days
NATWEST	No	Yes	Yes	66.01	20	2 days	5 days	27	1 day	2 days
MONEY TRANSFER OPERATORS (MTOs)										
MONEYGRAM	No	No	Yes	66.65	4.99	10 min	10 min	4.99	10 min	10 min
WESTERN UNION ^c	Yes	Yes	Yes	65.70 ^d	4.90	Next day	Next day	6.90	10 min	15 min
FOREIGN CURRENCY BROKERS										
WORLDFIRST ^e	Yes	Yes	Yes	67.19	No	2 days	4 days	No	2 days	4 days
MONEYCORP ^f	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
HIFX ^g	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
CAXTON FX	Yes	No	No	67.75	No	2 days	4 days	n/a	2 days	4 days

^a Via personal internet banking ^b Available to customers set up for telephone banking ^c Western Union declined to take part in our survey ^d Estimate ^e Only carry out small transfers for regular customers ^f Minimum transfer £250. Rates checked for 24 May. As these rates were checked on one particular day, they are not intended as a guide to which provider offers the best exchange rate.