

**PREPAID**

**FLEXIBLE, SAFE  
AND SECURE  
TECHNOLOGY**

**PIF BUSTS  
THE MYTHS...**



**Prepaid cards can  
be used in much the  
same way as debit  
and credit cards**

With certain types of prepaid account, you can do just about everything a traditional bank account allows you to do, including using your prepaid card to shop in store and online. But the key is you cannot spend more than the balance of your prepaid card at all!



**Did you know...**  
**Prepaid products are**  
**FULLY regulated**

Most prepaid products, that can be used in much the same way as a credit or debit card, must abide by EU Payment Services Regulations.

Examples of regulated prepaid products are travel money cards, general purpose prepaid accounts that are used instead of a traditional bank account and multi-store gift cards that can be used in multiple retail outlets.

All products, except those that do not fall under the 'Limited Network' exemptions (which means that they can only be used in a single or 'limited' number of outlets) must be authorised and regulated by a National Financial Regulator, such as the UK's Financial Conduct Authority and issued by an Authorised E-Money Institution (EMI) or Small E-Money Institution (SEMI).

Furthermore, regulation requires all e-money institutions to safeguard the funds they receive from customers by placing them in ring-fenced accounts. This means that funds are protected and can be repaid to the customer in the unlikely event the issuer of the product becomes insolvent.

Using a prepaid product can be much safer than paying with cash, especially when they are used to store money when travelling overseas on holiday or on business. If a card is lost or stolen, any loss of funds is limited to the amount loaded into the prepaid account, protecting the user against losing everything in their bank account or credit card account if they were to have been using their debit or credit card.

## How much does it cost to use a prepaid card?

Prepaid accounts are generally exceptionally transparent. While most prepaid accounts charge fees, these costs are shown on the providers' website or in the terms and conditions. This means that customers have a genuine opportunity to see this important information before they commit to opening a prepaid account.

Because prepaid account customers cannot spend more than they have loaded into an account there is no risk of them being hit by overdraft charges and fees.

There are many types of prepaid products available for different purposes. The services each one provides may be charged for in different ways. Some of the most common charges are a purchase or application fee to set up the account and fees for certain types of transaction, such as using your prepaid card to withdraw cash from ATMs abroad. Some providers may charge a fee to load additional funds and these may vary depending on how or where prepaid products are topped up.

**Funds placed onto prepaid cards are 100% secure**

All regulated prepaid product providers must keep 100% of the value lodged/ring fenced in a client account which is available to customers should the card issuer become insolvent. Your money is guaranteed, and the customers funds are fully protected.

## There are two types of prepaid card

Prepaid products are generally termed 'closed' or 'open' loop.

Open loop prepaid products are branded by one of the card schemes such as Mastercard and Visa and can be used at multiple locations, at retail outlets, online and in many cases to withdraw cash at ATMs.

Examples of open loop prepaid products are travel money cards, general prepaid card accounts that are used instead of a traditional bank account and multi-store gift cards that can be used in multiple retail outlets.

A closed loop prepaid product can be exchanged for goods and services only in a limited or pre-defined number of outlets, for example, store cards, fuel cards and transport cards such as London's Oyster Card.

## Prepaid cards can be used everywhere... like debit or credit cards

Most prepaid cards that are branded by one of the card schemes, such as Visa or Mastercard, can be used online and in-store in millions of locations around the world wherever these brands are accepted. In this respect, prepaid cards are much like debit or credit cards.

Prepaid products are issued for many different purposes so there may be some exceptions such as when products have been designed to address certain consumer or business needs. This means that some prepaid products may have specific inbuilt controls limiting where they can be used. A typical example is a youth account where spend at certain types of merchant both online or in-store will be denied.



**Prepaid products  
can be used  
by anybody!**

Prepaid products can be used by anyone and they offer choice & convenience and safety. They are exceptionally valuable to those who want to manage their money smarter.

For example, prepaid products are a popular choice for people who are worried about using their debit or credit card to shop online. Any loss or fraud is limited to the value stored on one prepaid card only, thus protecting the customer from losing everything in their bank account.

They are a great tool for many payment requirements including for those who want to manage their spending, for the provision of grants/funds, payment of rewards and for promotional marketing requirements. In fact prepaid payments come in many formats, even gold!

For parents looking for a budgeting tool for children, there is a growing number of specialist prepaid products designed for young people that offer them freedom and security without the risk of overspending. For students, too, prepaid products offer all the convenience of a credit card without the risk of getting into debt.

The security and convenience of prepaid products also means that they are a popular choice for travellers who are worried about carrying cash and who want to be able to budget what they spend on holiday and take advantage of often favourable exchange rates.

And it's not just consumers who use prepaid products. Businesses use prepaid payment solutions every day to reward and incentivise employees, control expenses and pay out insurance claims. Prepaid payment solutions are also used by governments to disburse welfare payments and by humanitarian organisations to disburse aid to refugees and asylum seekers.

## Prepaid cards offer new and modern ways to manage your money

The prepaid sector is one of the key innovators in financial services, making paying both online and in-store convenient, modern and secure. Many providers of prepaid products are spearheading the implementation of new technologies to create new mobile, wearable and internet-based payment products.

This innovation is driving competition between financial services providers and providers of goods and services, which is rapidly translating into benefits to consumers.

It is thanks to these developments that consumers are no longer restricted to traditional bank-issued financial products and those without an electronic means of payment are no longer restricted to shopping on the high street as they can now reap the benefits such as convenience and lower cost through shopping online.

## Prepaid cards are traceable

Prepaid products are rarely truly anonymous.

Even in cases where the customer is not fully identified, prepaid products, unlike anonymous cash, provide an electronic footprint. This footprint can be used by providers to identify, monitor, manage and report unusual or suspicious use, allowing law enforcement agencies to gather necessary evidence to prosecute individuals who use these products for unlawful purposes. In fact, monitoring and use of such data has already led to successful police investigations of money laundering and terrorist financing in the past.

The common misperception that prepaid products increase the risk of wrongful activity due to their anonymity is an inaccurate portrayal of a highly-regulated sector which is providing prepaid products responsibly and investing heavily in transaction monitoring systems.

For prepaid products that are used by customers as an everyday payment account the products are fully personalised to the customer and are subject to customer due diligence checks.

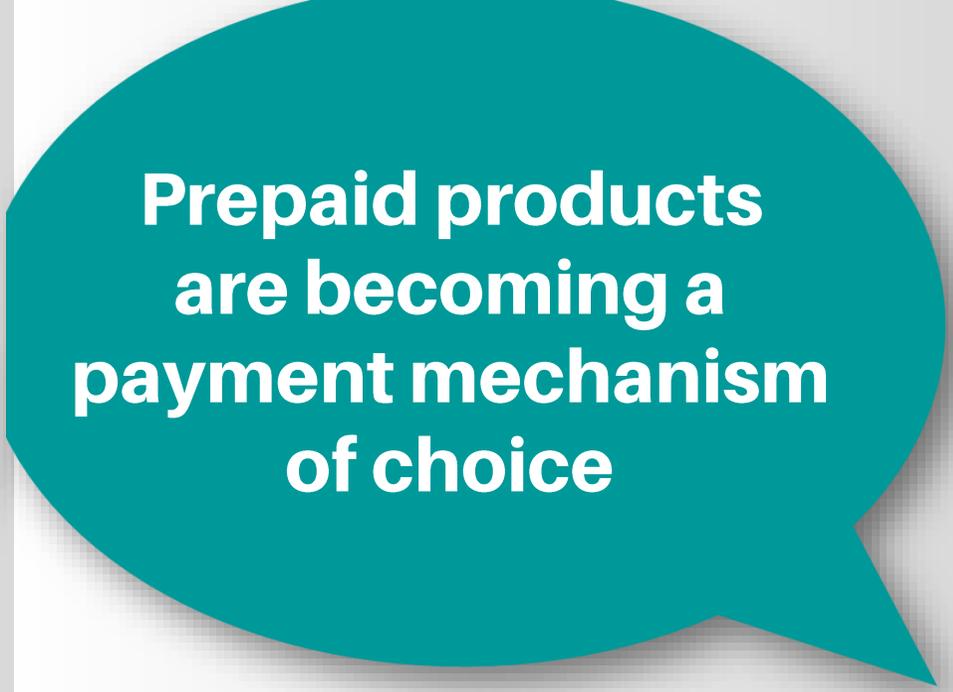


**Can prepaid cards  
be used to purchase  
age-restricted  
goods?**

There is no evidence to suggest that using prepaid cards gives young people access to age-restricted goods more than any other payment means.

In fact, there are several specialist prepaid accounts designed with young people in mind that allow parents to control what their children spend and where.

Far from being a risk, prepaid products are giving parents a safe and secure environment to teach their children about the value of money and how to manage it responsibly.



**Prepaid products  
are becoming a  
payment mechanism  
of choice**

Prepaid products are rapidly transforming the way people pay and get paid, utilising new technologies that allow providers to meet evolving customer needs. People want more control over their spending and more choice.

As a result, more and more people are opening prepaid accounts to manage their everyday finances because they are safe, quick and easy to open, simple to use and offer added functionality such as budgeting tools, loyalty programmes and mobile apps.

**THE VOICE  
FOR THE PREPAID  
SECTOR**

**INFLUENCING  
CHANGE AND  
CHAMPIONING  
GROWTH**

