

Are endless data breaches going to push people away from debit?

Published: 14:33, 23 Oct 2014 by Billy Bambrough

Email ▶

Print ▶

The data breaches are not going to stop in the predictable future, but does that mean that debit card use will fall in line with the rise in fraud? Billy Bambrough investigates the ongoing data battle and what ramifications it will have for how customers use cards

Debit cards carry an inherently higher risk when using them either online or in store. Less protection than a credit card, and with more of your data than a prepaid card.

With retailers around the world being forced to admit they have an at best tenuous hold on their customer's data are we more likely to see a change in customer behaviour before.

One piece of advice that is present on a lot of consumer advice websites following the Home Depot and Staples data breaches is to use credit over debit card, for the improved customer protection against fraudulent transactions it offers.

This advice has been around for a long time however and not every agrees that the latest data security scandals will have any influence of the behaviour of customers.

David Parker, industry expert and founder of Polymath Consulting told CI: "Data breaches are not something that usually affects the behaviour of the average consumer. While it may be today's news it will be tomorrow's fish and chip paper. These leaks do not have the impact to be remembered and change behaviour.

According to Parker the effects of breaches like those we have seen over the last year are just as damaging for all types of cards, not just debit.

Parker says: "These breaches effect the reputation of all types of cards and certainly does not help credit card usage in any meaningful way. The popularity of debit in Europe suggests that credit card is going to have to go a long way to convince customers that credit is a better choice than debit.

"Outside of UK debit and credit often have same levels of consumer protection. While prepaid does give consumers added protection in terms of limiting the amount of money that can be stolen, it doesn't help with many of the other concerns consumers have with data breaches like ID theft.

Many customers are going so far as to say they will actively avoid retailers that have had data leaked.

As data breaches exposing consumer credit card, debit card and other personal information become more common, nearly half of cardholding shoppers say they're reluctant this holiday season to return to stores that have been hacked, according to a survey by CreditCards.com.

Nearly half (45%) of respondents with credit or debit cards said they would definitely or probably avoid one of their regular stores over the holidays if that retailer had experienced a data breach.

Sixteen percent said they definitely would not return to a retailer if the store had been hacked and 29% said they probably would not shop at such stores. Just one in eight said they are more likely to shop with credit cards this season.