As Banks Increase Fees on Debit Cards It May Be Time to Go Back to Writing Checks or Change Banks

September 29, 2011 â€“ Bank of America has announced that it plans to start charging customer who use debit cards to make purchases a $5 monthly fee. B of A joins other banks that have already announced similar fees, or which are experimenting with them in certain markets, including Wells Fargo and Chase. As a result, some consumers may find it more economical to forgo debit card use and begin writing checks again.

Tweet

(function() {
var s = document.createElement('SCRIPT'), s1 = document.getElementsByTagName('SCRIPT')[0];
s.type = 'text/javascript';
s.src = 'http://widgets.digg.com/buttons.js';
s1.parentNode.insertBefore(s, s1);
})();

(function() {
var po = document.createElement('script'); po.type = 'text/javascript'; po.async = true;
po.src = 'https://apis.google.com/js/plusone.js';
var s = document.getElementsByTagName('script')[0]; s.parentNode.insertBefore(po, s);
})();

As of October 1st, large banks will be limited in the fees they can charge merchants for debit card purchases. These fees, know as bank interchange fees, we limited by Congress as a part of the Dodd-Frank financial reform legislation. As a result, banks are scrambling to find replacement sources of revenue and consumers now make up the easiest target.

ACCESS warned prior to the passage of Dodd-Frank that it would result in additional fees for consumers and the possible end of free checking. Those predictions are now coming true. Many banks have already ended free checking or restricted the accounts to premium customers.

Most consumers are not in a position that they can eliminate their checking accounts. But the same canâ€™t be said for debit card transactions. If you are going to be hit with a fee for having a checking account, there is no reason to compound the insult by paying an additional fee for using your debit card. But you need to know the rules associated with your checking account before you make a switch.

Some checking accounts charge a fee for every check written. Other charge fees based on the average daily balance or additional services provided to customers. If you are billed a fee for each check you write, it may be more economical to pay the debit card fee.

B of Aâ€™s new fee will be applied to accounts regardless of how many purchases are made in any given month using a debit card. The only way to prevent it is to stop all use of debit cards tied to B of A accounts. Of course, there are exceptions. The bank will not be charging the fee to certain accounts linked to its Merrill Lynch brokerage operations. There may be other exceptions as well.

Any consumer who wants to avoid fees like this should seriously consider changing banks. Many small banks and credit unions were exempt from some of the more onerous portions of Dodd-Frank. Others are simply trying to compete. Regardless of their reasoning, a large percentage of these smaller financial institutions are not charging the same fees as larger banks.

What you give up by moving your account to a smaller institution is convenience. Smaller institutions may not have branches that are convenient, may not offer the same range of services and my not have hours of operation that are quite as long. But whatâ€™s more important to you? Is it a branch on every corner or keeping more money in your wallet at the end of the month? Thatâ€™s a questions that everyone needs to answer themselves.

byJim Malmberg
Note: When posting a comment, please sign-in first if you want a response. If you are not registered, click here. Registration is easy and free.
Follow me on Twitter: