

What is a debit card hold?

When you use a debit card, the store clerk usually contacts the financial institution that issued your card to get an authorization. When the approval is given, the balance in your checking account is reduced or “blocked” by the amount of the purchase. This is known as a pre-authorization hold.

The merchant determines the amount of the hold. Your financial institution establishes the length of time the hold remains in place. Typically the hold stays on your account until the funds are transferred to the merchant from your financial institution, often 3-4 days. If you look at your account online it may show as a pending transaction. Since transactions done with your PIN (personal identification number) are processed on the same day, they do not require a hold.



How can a debit card hold create problems?

In a few situations, the dollar amount of the transaction is unknown when an approval is given. This may happen when you check into a hotel room, rent a car*, pay for gas at the pump or use your debit card to pay for your meal at a restaurant. In each of these transactions, the merchant may get an approval for a higher (estimated) amount— allowing for a tip, room service, additional or higher purchase amounts. Let's say you have \$60 in your account when you use your debit card to pay for gas at the pump. Since the purchase amount is unknown when you insert your card, the merchant requests an authorization for \$50. The authorization causes a hold to be placed on your account for \$50 and your available balance is reduced to \$10. If you only purchased \$20 in gas you may believe you have \$40 available in your account. Unless you understand how a hold affects your account, your debit card could be declined in future transactions. This can be embarrassing and inconvenient. It could also be costly. If checks or other transactions are processed before the hold is released you may overdraw your account and incur overdraft fees.

How can you avoid these problems?

When you use your debit card in a situation where the merchant may estimate the charge (hotels, car rental*, paying for gas at the pump, restaurants), the following tips may help you avoid some frustration:

- When a business asks for your card in advance of service - ask if the company will request a pre-authorization hold, the amount of the hold, and how the amount is determined. Be sure the hold won't exceed your account balance.

- Pay the charges with the same card you used at the beginning of the transaction. Ask the clerk when the hold will be removed.

