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Everything you need  
to know: **paying for  
overseas holidays**

## Everything you need to know: **paying for overseas holidays**

Holidays are becoming increasingly hefty investments, with the average British family spending two months' salary a year on summer breaks alone. So it's worth treating holidays like you would any other major overseas purchase, making sure you've got the best deal and your funds are protected.

You don't need to be a master of global finance to make a secure overseas transaction. Our guide to paying for holidays through money transfers breaks down the process, helping you save money safely.



## What's the most cost-effective way to pay for a holiday?

The simplest choice can be to use a travel agent or a tour operator. They'll make all the arrangements for you and you won't have to handle multiple payments to multiple parties. However, thanks to an average agent commission of 10-17%, you might be sold a more expensive holiday than you really want. In many cases, it's much more cost-effective to book independently.

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When taking a DIY approach you've got two options: using your bank or a foreign exchange broker (known as an FX or forex broker). Transferring funds through your bank is a convenient route, but won't necessarily get you the most for your money. Using a forex broker tends to be the cheapest way to send money as they buy currency in bulk, typically saving you 3-4% on the rate. That could be the difference between renting the penthouse with the outdoor Jacuzzi or the studio that's three trams and a train from anywhere.

## What types of holiday would I need a money transfer service for?

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Generally you'll use a transfer service for larger sums (£3,000+). This means that you probably don't need to go through a forex broker for a weekend break in Lisbon, but it could be ideal if you're renting a villa for a couple of weeks in the Dordogne.

You might also need a money transfer service for:

- more expensive long-term trips
- specialist and luxury holidays
- renting holiday accommodation
- paying a deposit on your holiday
- booking a hotel independently.

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International money transfers are particularly useful if you want to lock in a good exchange rate. If you're paying for your holiday in the future, brokers can set up a 'forward contract' for you. This will secure you the rate on the day, but the funds won't leave your account until you need to pay.

## How does making an international money transfer work?

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First, you'll need to register to open an account. This is completely free, and similar to opening a bank account. Your broker will get in touch with you to discuss your options, including the best rates and any associated costs. They're the experts on the international foreign exchange market and will be able to help you get the best deal.

“If you're paying a large sum to a supplier in a country where the exchange rate is volatile, the timing of your transaction could make a big difference to the final cost.”

They'll also be able to advise you on protecting yourself against negative changes in the exchange rate. If you're paying a large sum to a supplier in a country where the exchange rate is volatile, the timing of your transaction could make a big difference to the final cost. Sending cheques is best avoided for the same reason. These can take weeks or months to clear, so a good exchange rate when you write it doesn't guarantee a good deal when it's cashed.

Once you've agreed the costs with your broker, you'll book the transaction through them. At this point you'll need to provide the following information about your holiday supplier:

- their name
- their account number (this may be referred to as an IBAN or International Bank Account Number)
- their bank's Bank Identifier Code (known as its BIC).

If your holiday supplier is outside Europe they won't have an IBAN. Instead, you'll need to provide their bank sort code and address.

When the forex broker receives your funds, they'll deposit the money into the supplier's bank account in your specified currency. This will usually take one to three days. If the money is transferred between mainstream currencies, like Singapore or US dollars to British pound sterling, it can take just 24 hours.

For a more in-depth understanding of how international money transfers work, take a look at our 101 guide.

## How do I know the money I've spent on my holiday is safe?

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Money is the last thing you want to worry about while you're relaxing by the pool. To make sure your funds are secure, these are a few basic points to tick off pre-transfer:

- In the UK, check your broker is authorised by the Financial Conduct Authority. This means your funds are ring-fenced, so you won't be affected if the company has financial troubles.
- Check your broker is registered with HM Revenue & Customs as an overseas Money Service Business. This will make sure the company is operating legally.

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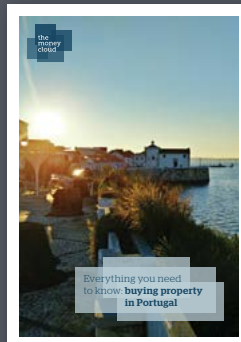
These quick checks will help ensure that your funds are handled securely, but there are some things even the best broker can't protect you against. Once the money has been transferred to another account to pay for your holiday, it's out of their hands. At this stage, you should always

take out travel insurance. A good policy will cover end supplier failure (ie if the holiday company goes bankrupt), medical expenses, lost baggage and cancellation. ■

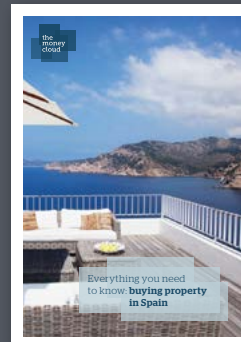
If you're looking to pay for an overseas holiday through an international money transfer, or if you'd just like to ask a few questions, drop us a line. If you'd like to read more on sending money overseas, have a browse through the rest of our guides.

## Our guides

In this series of comprehensive guides, you'll find everything you need to know about all areas of international money transfer. We've designed them to provide clear answers to your money transfer questions, whether you're putting down a deposit on a beachfront villa in Antigua, packing up and moving across continents or paying for a Serengeti safari. They cover all the essentials, from the costs you'll need to account for to the processes you'll need to follow.



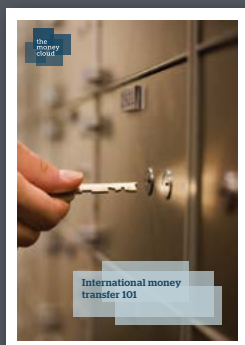
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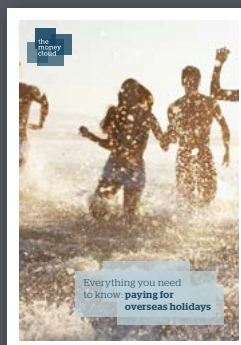
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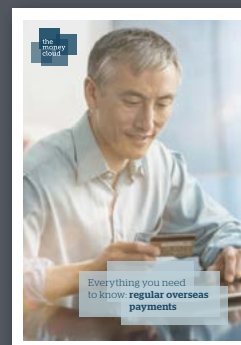
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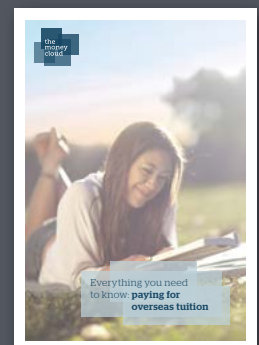
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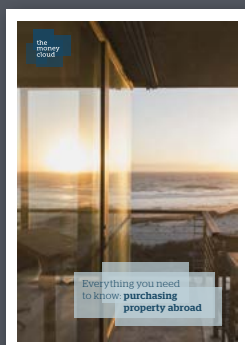
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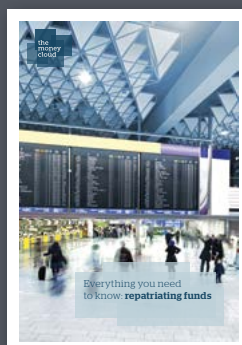
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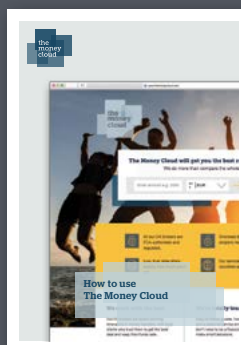
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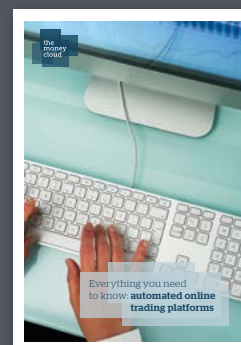
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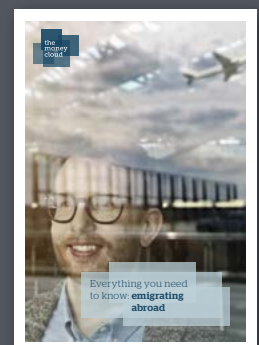
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