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Want to control spending urge on clothes or pubs? Restrict your debit card from doing so

With more and more people making purchases and splurging on lifestyle expenses through credit and debit cards, it often becomes difficult to keep a tab on what and how much you are spending

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The feature will help account holders restrict themselves from overspending on groceries and shopping

British multinational investment bank and financial services company Barclays Plc. recently unveiled a new feature that allows customers to block spending through debit cards on certain categories by changing the settings on the bank's mobile application. The feature will help account holders restrict themselves from overspending on groceries, shopping, or even curb addictive activities like gambling and drinking.

“While restricting oneself from any kind of addiction completely depends upon the will power of the individual, but any constraint will aid restraining overspending,” said Arun Ramamurthy, co-founder and director, Credit Sudhaar, an online finance and credit platform.

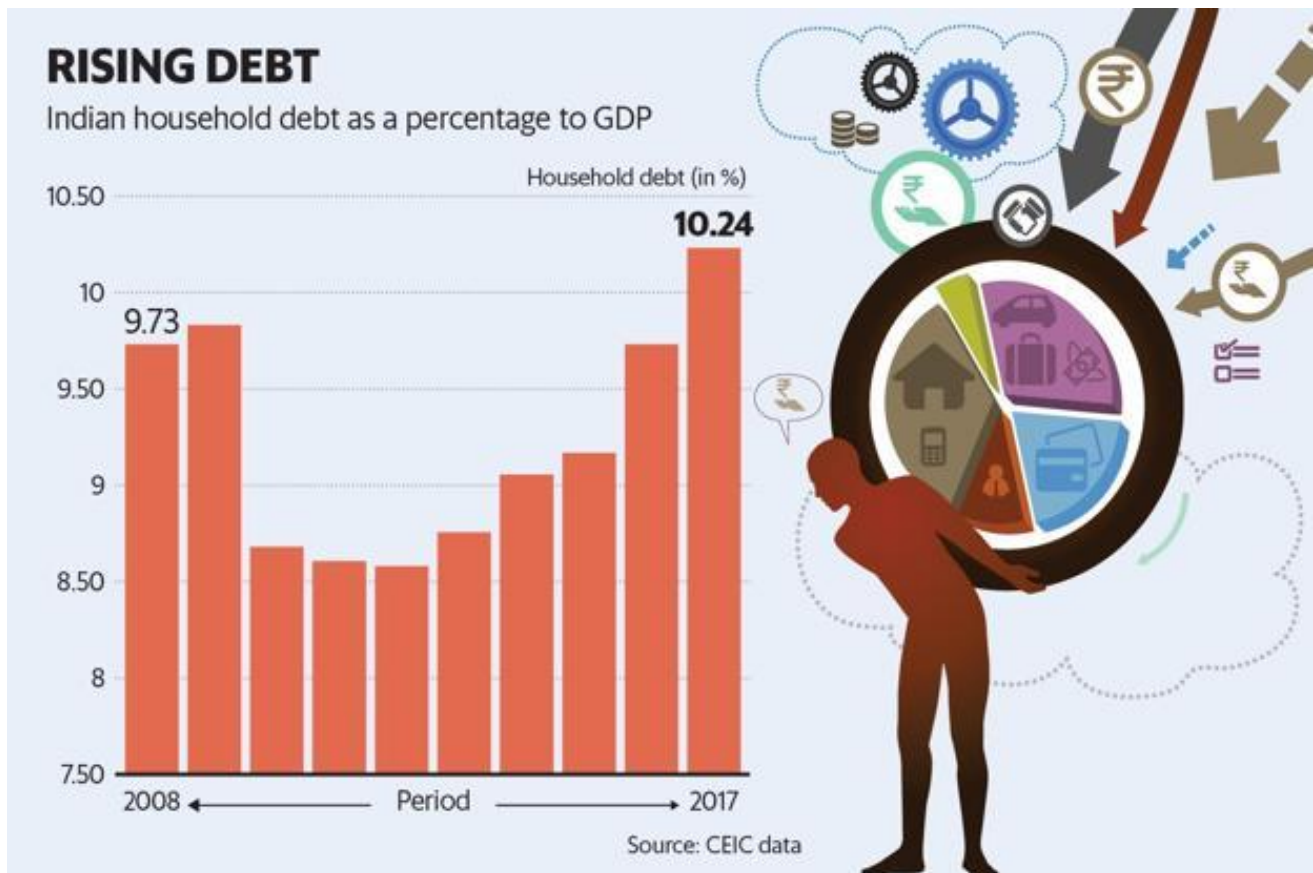
Barclays is the first high-street bank which has adopted this measure for its customers. However, more banks and financial institutions could offer similar services in a few years considering how the number of people living in debt is gradually going up. “Given that India is a very large and highly competitive market and banks continue to introduce innovative offerings and features for better servicing, we can expect this feature to be available here in due course of time,” said Ramamurthy. “The consumption pattern of Indian populace has experienced a sea change. Banks are introducing such features to help consumers manage their finances.”

How it works

If you have a Barclays debit card, you can use the bank's mobile application to switch off spending by sliding the on-screen button for categories such as gambling, premium-rate websites and phone lines, restaurants, food outlets, pubs and bars, petrol and groceries. You can also visit a bank branch to activate this feature.

It is not possible to block specific brands or retailers but on switching off a category, all retailers that fall under it automatically get blocked. For example, if you block the gambling category, you won't be able to make payments on any gambling websites.

Once you block a category, you will not be able to make payments for items under that category if you wish to use your Barclays debit card to make payments.



Though the feature allows you to switch off spending, all it would take for an account holder to allow it again is going back to the company's mobile application and switching on the button for any category of spending they may have blocked.

“The continued limitation on spending on certain types of expenses will need the accession of consumers' will power. He will always have the authority to change the spending limits and would need to be prudent while approaching the change,” said Ramamurthy. “The expenses for opting such a feature are something that one needs to be watchful and any fine prints that is a part of activating it.”

WHY IT WORKS

With more and more people making purchases and splurging on lifestyle expenses through **credit and debit cards**, it often becomes difficult to keep a tab on what and how much you are spending.

“The pain associated with electronic spending is much lower than what is felt with spending cash, and thus these features are trying to enhance the pain associated with spending a wee bit,” said Vishal Dhawan, founder, Plan Ahead Wealth Advisors.

“There has been a clear shift in spending pattern among the younger generation,” said Varun Krishna, certified financial planner, International Money Matters. “Where our parents' generation used to spend after sufficient saving, the new generation is doing the reverse simply because there is no control over expenses.

This could put one in a really bad financial situation in the long run if attention is not paid.”

Barclays’ initiative could thus help vulnerable customers from getting trapped in a pool of debt, especially because of overspending in certain categories.

According to CEIC Data Co. Ltd, a macroeconomic data provider, India’s household debt accounted for 10.2% of the country’s nominal GDP in March 2017, compared with 9.7 % in the previous year. Nominal GDP includes changes in price that occur in a year due to inflation or deflation. In March 2017, India’s household debt reached about \$233 billion and domestic credit stood at \$2,030 billion in September 2018, shows data compiled by CEIC.

“It would certainly help individuals and families that do not budget their expenses and are prone to overspending. We see that overspending is not a challenge across Indians but some families are certainly susceptible,” said Dhawan.

While there are apps such as Wally, Monefy and Penny that help users track their expenditure, the concept of blocking expenses through debit cards is yet to enter India. “While which banks are exploring the options to extend such services may not be clear at this point in time, such features are bound to get introduced,” added Ramamurthy.

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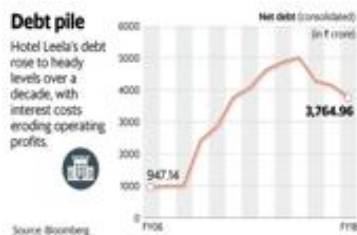
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