

Credit and Debit Card Holds at Gas Stations

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Issue

This report summarizes (1) what Connecticut requires gas stations to do when they place credit and debit card holds for gas purchases and (2) how gas stations process credit and debit card transactions for gas purchases. It updates OLR Report [2015-R-0198](#).

Summary

Connecticut law requires gas stations and convenience stores that accept credit or debit card payments for retail sales of gasoline to provide notice to the customer if they or a third party will place a hold on a credit or debit card payment that is for an amount larger than the actual retail gasoline purchase. The notice must be (1) in conspicuous type and close to the point of payment and (2) given before the customer's purchase ([CGS § 42-133j](#)).

When a consumer uses a credit or debit card to purchase gas an “authorization hold” is placed on the card. An authorization hold is the practice of authorizing electronic transactions for a specified amount (usually more than the expected transaction amount) and holding this balance until the transaction clears. The gas station sets the hold amount, but the bank that issues the card is responsible for the length of the hold.

These holds generally aim to protect the gas station from fraud, since the station does not know how much gas a consumer will purchase and wants to ensure there are enough funds to cover the purchase. For example, a gas station may place a \$60 hold when authorizing the card even if the consumer only intends to purchase \$30 worth of gas. The \$60 hold will remain until the transaction clears. According to [Visa](#), a credit card hold usually clears in less than 24 hours but all must be

cleared within 72 hours. As discussed below, holds involving PIN-based debit transactions are cleared almost immediately but non-PIN transactions may take longer to clear.

Credit and Debit Card Purchases

Although consumers may treat credit and debit transactions the same, the accounts are different, and the transactions are processed differently. A transaction involving a credit card is based on an account's credit limit (which is generally higher), while a debit card transaction is based on the amount of money in a checking account.

Additionally, a consumer may choose to use a debit card two ways. The first is to run the debit card like a credit card and the second is as a PIN-based transaction. If a consumer uses the debit card like a credit card, then the payment goes through the credit card network and the payment is withdrawn within a few days. But the account balance accessible by the consumer would reflect a deduction for the hold, and not the actual account balance, until the transaction clears. If the consumer enters a PIN, the money is often immediately deducted from the account.

Credit Card-Based Transactions

Gas stations put holds on both credit and debit cards in credit card-based transactions. However, due to the difference between credit and debit cards, the hold often impacts debit card users more than credit card users.

Credit. Since holds are merely an authorization of additional money for transactions, they affect credit card users less because consumers do not actually need to have the money, just the needed credit amount.

Debit. For debit card users, even when they are using the card like a credit card, they must still have that amount in the bank account. A problem may arise when a consumer attempts to use a debit card for a specified amount (which he or she has in the bank), but a hold is placed on the card for a higher amount, which could result in an overdraft fee. (This is often due to the bank's overdraft protection, which allows checking account holders to temporarily make purchases with a debit card even if they do not have sufficient funds to cover them. But there may be an overdraft fee associated with this service. Without this service, the transaction would be denied because the consumer does not have enough money in the account.)

Another problem could occur when a consumer who purchases gas must wait for the transaction to clear and is unable to use the amount of the hold. For example, if a consumer buys \$30 worth of

gas but a \$60 hold was placed on the account, he or she would not be able to access the extra \$30 that was also held until the transaction clears.

Debit PIN-Based Transactions

Although gas stations still place holds on debit cards when consumers use a PIN-based transaction, these holds are often cleared instantaneously after the transaction. This is because the money is being immediately deducted from the bank account. (Some banks may charge certain fees (e.g., transaction fee) for PIN-based transactions.)

With PIN-based transactions, if a gas station sets its hold amount too high, it could deny potential consumers because the amount of the hold must be available in the account. For example, a consumer with \$50 in his or her bank account would not be able to get \$30 of gas if the station requires a \$60 hold.

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