

Dr Andrea Winkelmann-Gleed

How can I send money to another country?

Remittances

What are remittances?

Remittances are defined as any transfers of funds from immigrants or migrants, also referred to as newcomers, to their relatives or friends in their country of origin. Remittances have become an increasingly important feature of modern economic life and they are now recognised as a significant source of global development finance¹ providing external funding to developing countries.

http://www.livelihoods.org/hot_topics/migration/remittancesindex.html#1

It is generally thought that remittances sent by individuals contribute substantially to development aid through their contribution to local livelihoods and alleviating poverty, particularly as money is passed directly between trusted individuals². The Department for International Development (DFID) states that remittances can therefore have an even greater impact on people on low incomes, and can better assist them improve their livelihoods and take advantage of opportunities. They provide much sought after foreign exchange to recipient countries, while supplementing the domestic incomes of millions of poor families across the world.

For you, and for many other newcomers, an advantage of working in the UK is the ability to send money back home to friends and family in your country of origin³. Current research shows that the amounts people send back home vary from regular transfers of a few pounds up to several hundred, to occasional gifts for special occasions. All estimates for annual remittances from the UK are based on assumptions and thus are subject to enormous margins of error. Figures vary from between £500 million to £3.5 billion with more realistic estimates of combined formal and informal transfers probably being anything between US\$200 and US\$300 per person per annum⁴.

How can you send remittances?

Money transfers can be made through Credit Unions, UK high street bank, building societies, the Post Office or through Money Transfer Businesses (MTBs), also called Money Transfer Operators (MTOs).

Business strategies for banks and post offices are very different from those of MTOs. For the latter it is the core of the business whereas banks and post offices offer a wide range of products. Banks in the UK have typically overlooked remittances as a business, but are now recognising the opportunities. In developing countries banks are actively becoming involved by acting as agents to MTOs.

ATMs and debit cards have recently been added to the available remittance transfer products. However, this option seems limited to certain countries, particularly the US and Mexico⁵.

It can be difficult for some newcomers to set up a full UK banking account and some banks charge high fees for money transfers⁶. This has led to high level dialogue between banks, money transfer companies and other stakeholders on ways to reduce costs and improve access to low-income senders and recipients.

There are a range of less formal MTOs and, since June 2002, all Money Service Businesses in the UK are required to register their business to comply with the law and become part of the legal system of money transfers. While this may have driven out small and inefficient businesses, there remains limited control over the level of services provided and 'informal' or 'alternative' remittance systems prevail. The UK Government has recently financed a survey to help users compare money transfer services and choose options that are appropriate for specific situations⁷.

DFID has set up remittance country partnerships with Nigeria, Bangladesh and Ghana. These partnerships will include a range of measures to remove impediments to remittance flows, improve access (and the terms of that access) in these countries to remittances and other financial services and strengthen the capacity of the financial sector to provide efficient and widespread transfer payment services.

<http://www.sendmoneyhome.org/Contents/about%20dfid.html>

If you want to send money to another country or home, there is a range of money transfer products and services to choose from. Some offer convenience, others a low price, and others speed or security. The following distinguishes between Credit Unions, UK high street Banks, UK Building Societies and Money Transfer Operators.

A. Credit Unions

To give you an idea of the process of transfers the example of Western Union which is widely accessible in the UK has been chosen. Western Union allows you to make transfers either online, by visiting one of their agents or on the phone. Western Union offers the world's largest money transfer network for sending and receiving money with over 170,000 agent locations. Information on Western Union is easily available at their offices or through their website which includes a wide variety of info, including news, practical advice, stock quotes and discussion.

<http://www.westernunion.co.uk/homePage.asp>

Online transfers

Step 1 Enter Receiver Information

Who are you sending to? How much are you sending? And where will the receiver pick it up? Registered users enter a user name and password, and automatically skip ahead to Step 3.

Step 2 Enter Personal Information and Register

In order for us to provide you with better service and faster transactions in the future, new users are required to register before completing a transaction.

Step 3 Select Additional Services

Choose any of the available services to include with your money transfer. Services available depend on the pick-up location.

Step 4 Review Amount, Charges and Enter Payment Information

If necessary, modify the information where appropriate. Once you're ready, enter your credit card or debit card information.

Step 5 Review Your Order

If necessary, modify the information where appropriate. Before submitting the payment, please read and agree to the terms & conditions regarding this service.

Step 6 Your Receipt

Upon approval of your payment information, your transaction will be sent. You are

given a receipt containing a Money Transfer Control Number (MTCN) confirming the transaction.

Once the money has been transferred, the receiver may pick up the funds. At any time after completing your transaction, you can return to westernunion.co.uk and click on Order Status to find out if the funds have been picked up or not.

Transfer through an agent office (a list of your nearest is available on the website above):

Step 1 Complete Form

- Complete the To Send Money form, including:
- Your and your receiver's first and last name (as shown on identification).
- The city and country to which the money is being sent.
- The sterling amount you wish to send.
- Any additional services requested (subject to availability)

Step 2 Identify yourself

Identify yourself (you may be required to present two forms of identification

Sending from the UK - ID details:

- For amounts from £600 to £1999.99: one form of primary identification verifying the full name.
- For amounts from £600 to £1999.99, where no primary ID is presented: one form of primary identification verifying the full name (Birth Certificate, etc) and one form of non-primary identification verifying the current/permanent address (Utility Bill, a letter from a hostel manager confirming temporary residence, etc).
- For transactions from £2000 and above: one form of identification verifying the full name and one form of identification verifying the current/permanent address. The same document must not be used to verify both name and address.

Step 3 Present Payment

Give the clerk the money you want to send plus the transaction fee.

Step 4 Collect the Receipt from the Clerk

Be sure to save the receipt with your Money Transfer Control Number (MTCN) and share the MTCN with the receiver. The receiver may use this number to collect the funds, however, it is not mandatory for the receiver to collect funds.

Step 5 Check Status

To obtain the status of your money transfer, you can check the order status online or call 0800 833 833.

Transfer on the phone

Step 1 Call FEXCO, Western Union's Representative in the United Kingdom

From the UK, call our toll free number 0800 833 833 (24hrs a day). We do not accept transactions initiated outside of the UK.

Step 2 Give your information

Give the operator the receiver's information and amount you want to send.

Step 3 Give your payment information

- Give the operator your UK based Visa[®], MasterCard[®], Switch[®] or Solo[®] credit or debit card number to complete the transaction.
- The operator will verify your information and give you a Money Transfer Control Number (MTCN).
- Please note, credit or debit card transactions cannot be made from mobile or public telephones.
- Some credit or debit card transactions may take longer to verify and require Western Union to call the sender back.
- Additional fees may apply for telephone money transfers.

Step 4 Obtain Your Money Transfer Control Number (MTCN)

Be sure to write down the MTCN and share it with the receiver. The receiver may use this number to pick up funds, but it is not required. You will also need this number to track the status of your transaction.

Step 5 Check the status

To track the status of your transaction, you can check the Order Status online or call 0800 833 833 to speak with a customer service representative

B. Banks and Building Societies

High street banks and building societies offer a wide range of financial services and remittances are only a small section of their business. In order to use their services for a money transfer you are required to have an account with them. The main high street banks and building societies in the UK are and you will notice branches in most high streets in reasonably sized towns:

- Abbey
- Alliance & Leicester
- Barclays
- Citibank
- Halifax Bank of Scotland (HBOS)
- Co-operative Bank
- HSBC
- Nationwide
- Lloyds TSB
- NatWest
- Royal Bank of Scotland (RBS)
- Standard Chartered

If you have not been in the UK for long this can be difficult to open up or you may not be offered all banking services but rather just a basic banking account. You will generally need to provide identification in form of two items of documentation. This can require evidence of earnings, such as pay slips or copies of utility bills in addition to passports and personal ID. Depending on your working and living arrangements it can be difficult to provide such documentation and you may have to address this with your employer.

How your employer can help

If you are working without receiving a pay slip you should address this with your employer or the agency you work for and try to obtain a detailed break-down of your pay as well as any deductions (for tax and national insurance, travel to and from work or any other work-related expenses) made from that pay. If you are living in accommodation that is provided with your job or that you rent through an agency or

share with others, you may not have access to utility bills. Even if you have the right documents, it may not be straightforward to open a bank account. You may find that some of the building societies are more accommodating. In any case it is worth mentioning this to your employer and ask for assistance in form of a letter explaining that you are in employment and legally abiding in the UK. You can then take the letter of support from your employer which you in addition to the two forms of identity.

The following is a selection of country-specific banks with branches in the UK. Some of them offer advice on their websites for specific money transfers and it is worth checking out what services and rates a countries' main banks are offering and if they have a branch in the UK:

- Bangladesh - Sonali Bank
- China - Bank of China (Hong Kong) Ltd, Canara Bank, Shanghai Commercial Bank
- Ghana - Ghana International Bank, Express Funds
- India - Bank of Baroda, Bank of India, ICICI Bank, State Bank of India, Remit2India
- Kenya - Bank of Baroda
- Nigeria - Equity Bank

These may be a safe option for transfers to main cities where branches are present or the recipient has an account. However, you have to check out the fees carefully as banks are generally more expensive than money transfer operators:

C. Post Offices

The UK Post Office™ offers the MoneyGram® international money transfer service that enables you to quickly send and receive cash domestically or internationally, without the need for a bank account or credit card. Money can be sent to more than 84,000 locations in around 170 countries (see below). MoneyGram® is available at over 2,300 selected Post Office™ branches across the UK. To find the most convenient branch for you, telephone 08457 22 33 44.

MoneyGram® securely transfers sums of up to £6,999 around the world in 10 minutes at very competitive prices. For example, a £200 transfer to Jamaica would cost £9.99, while a £300 transfer to Belarus would cost £24. Costs increase depending on the amount you send and standard rates range between £12 for a transfer of £100 and £140 for transfers of £4000 there are however cheaper rates for some countries such as Brazil, China and the Caribbean.

For more details check out the Post Office website:

<http://www.postoffice.co.uk/portal/po>

C. Remittance service providers also called Money Transfer Operators (MTOs)

These are some of the numerous money transfer operators, by listing certain providers and leaving out others no recommendation or critique of their services is implied. Some provide only country-specific services or offer much more compatible rates to certain countries compared to others.

- Cash 2 India - Provides money transfer services to India via debit account, credit card, PayPal or bank account from anywhere in the world
- Cashmo - Money transfer service from Europe to Africa
- Chequepoint - The company has more than 73 wholly owned branches worldwide and access to many other branch networks through correspondent banking relationships

- First Remit - Offers international money transfers
- Global Currency Solutions - Specialise in bank to bank remittances for amounts over £1000. Typical clients are businesses, business owners and individuals making one off large payment in foreign currency
- iKobo - Offers money transfer services to anywhere in the world
- Instamoney - Money transfer specialists, working within 60 countries
- Interchange - Specialists in foreign currency exchange
- RapidRemit - Online service that allows money transfers to India and Pakistan.
- Moneybookers - Large worldwide money transfer network
- Moneycorp - UK based foreign exchange specialists
- MoneyGram - Large worldwide money transfer network with over 75,000 agent locations worldwide.
- MoneyTT International - Offers money transfer services to China
- Onlinefx - International money transfer service
- Paypal - An online money transfer system
- Sendwise - Money transfer system to India
- Senvia Money Services - International money transfer specialists
- Travelex - Global foreign exchange specialists
- WebMoney Transfer - Internet payment system allowing instant secure payments worldwide.

This is not a full list and others are listed by typing 'money transfer' into a search engine – you will also find individuals' experiences with certain services listed. However, as always with using the internet please be careful what kind of information you give away and make sure you are only sending money through official, secure sites if you choose online transfers (look out for 'https', confirming a secure site).

While all the service providers listed above form part of the formal system, there are also informal, not registered service providers. These include shop owners, travel agents, import-export traders, trusted friends and other individuals. Generally the informal service providers are used where there is no banking system (for example in post-conflict situations) or where the banks are weak and mistrusted. Informal providers may also be more appropriate when accessing rural areas in countries with a banking system limited to urban centres. Thus the general process of sending remittances has to start with an analysis of the finance system in the receiving country.

How do you choose a provider?

All banks offer electronic transfer services and most also offer bank drafts, Credit Unions offer a range of services while some money transfer companies primarily offer cash transfers.

As individual circumstances vary, you will have to decide for yourself which channels offer the best services to send remittances. Your choice will depend on a range of factors and the following questions may help you to make your choice:

- Which country would you like to send money to and to which location within that country? If it is a small rural location your options are more limited than within a capital city.
- How large is the amount you would like to send?
- Do you want to make frequent transfers or are they irregular or just one offs?
- Do you have a full banking account? If so, does your bank have branches in the country you want to send money to?

- Do you have a PC? If so you may find it easier to compare service providers. There are also a number of internet sites listing experiences with money transfer operators and banks, such as for example the following sites:
<http://www.reviewcentre.com/reviews85163.html>
<http://www.italymag.co.uk/forums/archive/index.php?t-1836.html>
- Do you trust online banking to transfer your money online?
- What experiences do your friends and family share about certain providers?
- Do you prefer the safety of speaking to someone face-to-face in an agency? Do you want the money to reach its destination quickly or can you wait a few days?
- What level of risk are you prepared to take? Would you trust an individual you do not know?

How much does it cost you?

The cost of sending money transfers varies greatly from 2.5% (already quite high) to as much as 40% for sending £100. Fees for sending £500 range from £4 to £40, giving lower percentage costs of between 0.8% and 8%. This is as a result of fixed charges being higher for small transfers. Moreover a few banks and building societies set minimum fees and the Post Office fees increase depending on the amount you send with special rates to certain countries.

Overall fees are not just based on the country of destination or the amount sent, but also on the service provider used. Banks and Building Societies tend to be more expensive on low-value transfers and banks often focus on higher value customers who are holding an account with them. MTOs tend to offer lower rates for small remittances and may also offer more convenient opening hours. It is worth checking out country-specific services, as these can be cheap, convenient and appropriate to the needs of certain customers. Particular MTOs offer particularly low charges to certain countries, such as First Remit, Chequepoint and Travelex for small remittances sent to Ghana or Nigeria.

http://www.livelihoods.org/hot_topics/docs/REmitSendingMoney.doc

MTOs tend to guarantee the exchange rate, but not the amount paid to the received as this can be subject to further charges added at the recipient-end.

<http://www.sendmoneyhome.org/>

How long does it take?

Transfers through banks vary from 2 to 10 days with an average of 5 days, depending on transfer mechanisms and processes. MTOs are quicker and it can take as little as 24 hours from a transfer through an MTO with some being conducted within 10 Minutes.

Other contacts that you may find useful

The DFID website provides downloads of translated leaflets with Bangladesh, China and India country pages - in Bengali, simplified Chinese, Hindi and Gujarati. Leaflets providing information on money transfers to each country are available, and 500,000 leaflets will be printed and widely distributed. They are also available from www.sendmoneyhome.org or by calling PBI on 020 7332 6277.

The project is looking to expand the number of countries covered from six to as many as twenty-two with the new ones being Afghanistan, Albania, Brazil, Ethiopia,

Jamaica, Mozambique, Nepal, Pakistan, Rwanda, Senegal, Sierra Leone, Somalia, Sri Lanka, Tanzania, Turkey, Uganda, Ukraine and Zambia.

Furthermore the website indicates on a monthly basis the exchange rates offered by individual providers, and the final amount to be collected by the recipient in local currency. Though it has to be noted that most providers cannot guarantee this amount, due to possible fees and fluctuation of exchange rates at the recipient's end. This means it will be possible to see which providers are consistently offering best value for money.

The following report offers a systematic analysis of available routes and costs distinguishing between formal and informal service providers:

<http://64.233.183.104/search?q=cache:9ll3lvLr5zAJ:www.bannock.co.uk/PDF/Remittances.pdf+remittances+from+uk&hl=en&ie=UTF-8>

How you can complain if transfers go wrong?

If your transfer does not reach the recipient you should in the first instance contact the service provider you have used – and you may decide to pay more for the transfer in order to have some assurance that the operator offers some refund if things go wrong.

Larger service providers, such as Western Union offer some compensation or a refund service (following written request). This is set out on the back of their transfer forms if you use one of their branches.

If something goes wrong and the money transfer company you used is unable to resolve the problem to your satisfaction, you should contact the Financial Ombudsman for help:

Financial Ombudsman Service
South Quay Plaza
183 Marsh Wall
London E14 9SR

Consumer helpline: 0845 080 1800
Tel: 020 7964 1000 (switchboard) +44 (0)20 7964 1000 (from outside the UK)
Fax: 020 7964 1001 (main fax)
E-mail: complaint.info@financial-ombudsman.org.uk

Endnotes

¹ HM Government (2005) The UK's contribution to achieving the Millennium Development Goals. 01/05 produced for HM Government by GWS Group, pp43-44.

² Chimhowu, A., Piesse, J. and Pinder, C. (2004) The impact of remittances. Enterprise Impact News. EDIAIS. Issue 29, April 2004.

³ Blackwell, M. and Seddon, D. (2004) *Informal Remittances from the UK, values, flows and mechanisms*. A report to DFID. Norwich: Overseas Development Group.

⁴ Sriskandarajah, D. (2005) Migration and Development, a new research and policy agenda. *World Economics*. 6 (2) April-June 2005.

⁵ Sander, C. (2003) Migrant Remittances to Developing Countries. Prepared for DFID by Bannock Consulting, June 2003.

<http://64.233.183.104/search?q=cache:9ll3lvLr5zAJ:www.bannock.co.uk/PDF/Remittances.pdf+remittances+from+uk&hl=en&ie=UTF-8>

⁶ McKay, S. and Winkelmann-Gleed, A. (2005) *Migrant Workers in the East of England*, project report for the East of England Development Agency, Cambridge. London: Working Lives Research Institute, London Metropolitan University. 4. August 2005.

⁷ DFID (2005) 31. March 2005 *Sending money home? A survey of remittance products and services in the United Kingdom*. London: DFID.