

Pick a Card, Any Card?

When It Comes to Gift Cards and Gift Certificates, Consumers Should Check Expiration Dates and Fees

Holiday shoppers spend billions on gift cards and gift certificates every year, and they're increasingly popular gifts. But many purchasers are concerned about whether these gifts can come with unwanted extras, like expiration dates and fees.

California law protects gift card givers and recipients from expiration dates and dormancy fees in many cases, but it's important for consumers to understand when the protections apply and when they don't.

"Sometimes it's difficult to pick out just the right gift for someone," said Charlene Zettel, Director of the California Department of Consumer Affairs. "With a gift card, you're letting the recipient choose what they want. It's an option that can ease the pressure of holiday shopping. But we want to make sure consumers know if any strings are attached."

In most cases California law treats a plastic gift card the same as a paper certificate. Consumer protections vary depending on the type of business that sold the card, and on the type of product or service for which the card is used.

Both state and federal law prohibits the sale of gift cards and certificates in a deceptive manner, so it's illegal for sellers to conceal conditions, restrictions or fees.

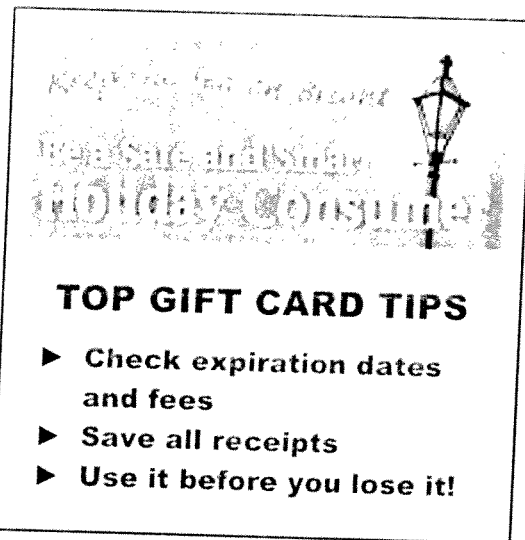
Protections Are Greater for Cards or Certificates Good at a Single Store or Its Affiliates

The type of card or certificate that comes with the best consumer protections under California law is the traditional gift certificate or card, sold by a single business and used for goods or services from that business or its affiliates. Expiration dates and service fees, including dormancy fees, are prohibited for this type of card, with limited exceptions.

A business doesn't have to redeem a gift card or certificate, or the balance left after a purchase, for cash. They can redeem it with another certificate or card for the remaining value.

Single-store cards can have a dormancy fee if: the value drops to \$5 or below; the fee is \$1 or less per month; the card has been inactive for 24 consecutive months; and the owner can pay to re-charge it with value to over \$5. The dormancy fee must be fully disclosed in advance and printed on the card.

An exception -- to the rule of no expiration dates for cards good at a single business or its affiliates -- is a gift card or gift certificate for a food item. Cards or certificates for food items -- other than restaurant meals -- can have expiration dates, as long as that fact is printed in 10-point type on the front of the card or certificate.



Restaurant gift certificates good for meals cannot have expiration dates. Restaurants issuing gift certificates, either directly or through affiliates, must accept the certificate even if it's an older certificate with a posted expiration date, if that certificate was issued after January 1997.

Another exception is gift certificates distributed free as a premium or promotion, or sold below face value at a volume discount to employers or to nonprofit and charitable organizations for fundraising purposes. These can have expiration dates, but the date must be printed on the front of the card in 10-point type.

Mall or Other Multiple-Store Gift Certificates

California law doesn't protect consumers from service fees and expiration dates when it comes to gift certificates or cards good at multiple, unaffiliated businesses. So many popular gift certificates and cards can have these fees and restrictions, including cards sold by malls and banks.

If such a card or certificate has an expiration date, that fact has to be printed on the card or certificate. Fees must also be disclosed to purchasers.

Consumers should weigh the benefits of these cards against the costs. Cards from malls and banks allow shopping for gifts at many different stores. But the gift card recipient may see the value of the gift card reduced or eliminated by expiration dates or dormancy fees.

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'Use it or lose it' is still good advice, even if your gift card or certificate is protected from expiration dates and fees. Don't hang on to the card for too long. The store may go out of business, or you might lose the card, which in most cases is like losing cash.

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-- Charlene Zettel

Gift Cards Sold by Banks

Bank gift cards can be used at multiple, unaffiliated businesses, so California laws prohibiting expiration dates and service fees, including dormancy fees, do not apply. However, California does require any expiration date to be printed on the card.

Bank gift cards usually tap into a leading credit card network, offering flexibility and convenience, including the option of replacement for a lost card. But they can also come with a variety of fees, such as purchase fees, monthly fees, inactivity fees, transaction fees, balance-inquiry fees and replacement fees for lost cards. Consumers should shop around for the best deal, advise recipients of all terms and conditions, record the card number and retain all receipts.

Federal banking regulators have recently ordered national banks to provide greater disclosures to consumers, putting the expiration date on the front of cards, disclosing the amount of any monthly maintenance or inactivity fees, and providing a phone number or Web address where consumers can get detailed information.

Some consumer protections described here may not apply to cards and certificates issued several years ago. If you have an old card or certificate, or simply want more details on the law, check the Department of Consumer Affairs legal guide "FAQs and Tips on Gift Certificates and Gift Cards." For more holiday consumer tips visit www.consumer.ca.gov.



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