

# From the Desk of Attorney General Bob Cooper



January 25, 2011

## **AG Suggests Consumers Watch for Details on Gift Cards**

If you are one of many Americans who received a gift card during the holidays, you might be relieved to know there are some new protections that will help you spend the card in its entirety before its balance expires. The new rules, which became effective in August, require merchants to explain restrictions up front and lengthen the time you have to use the cards.

Gift cards are big business. The National Retail Federation estimates Americans spent an average of \$145 on gift cards over the holidays. Total gift card spending was expected to reach almost \$25 billion, according to the NRF's first holiday survey. The survey noted this made the fourth year in a row gift cards have topped consumers' wish lists.

There are still strings attached in exchange for the convenience of a gift card; however, the new rules require businesses notify you of the restrictions upfront when you purchase a gift card. Gone are the days that allowed retailers to immediately begin penalizing those who stuck the gift cards in their wallets, possibly forgetting about them until they were worthless. When you buy a gift card, the balance can't expire for at least five years from the time of purchase. Or, if it's a reloadable card, the clock does not start ticking until you reload it, giving you five years from the time you reload.

The new time expiration rules apply both to single-store cards such as an iTunes card and the Visa/MasterCard/American Express general-use gift cards which can be used at any store.

Another new rule states that the business cannot charge you a monthly fee unless the card has been unused for one year. (In the past, this meant that from the time you received the card, the business could charge you each month you didn't use the card until it was worthless).

Be forewarned, there is no maximum cap on what a business can charge you for those monthly fees. If a restaurant wants to charge you \$100 a month after your card has been sitting unused for a year, it can still do that as long as they warn you ahead of time. Businesses must clearly and concisely explain what they will charge on the card, according to the new federal rules.

In Tennessee, if a gift card is sold without an expiration date, a card is valid until redeemed or replaced with a new card. Some other tips to remember include:

\*You may be charged a fee to buy the card or to replace a lost or stolen card.

\*Some cards produced before April 1, 2010 that list a short expiration time or inactivity fees in the first year can be sold through January 31, 2011. However, no matter what your card says, you still are protected by the new rules.

\*Be sure to read the fine print when you receive your card. Look for any special terms and conditions. Check for an expiration date or fees and card replacement terms.

\*Report any damaged cards to the store selling the cards.

\*If it appears that the value of your card has expired, or that fees have been deducted, contact the company that issued the card. They may still honor the card or reverse the fees.

\*Use your card as soon as you can. It's not unusual to misplace gift cards or forget you have them; using them early will help you get the full value.

Treat your card like cash. If your card is lost or stolen, report it to the issuer immediately. You may not recover any of the value that was on the card. Some issuers will not replace cards that are lost or stolen, but other issuers will provide a replacement for a fee. You may need to show proof of purchase and the ID number on the card. Most issuers have toll-free telephone numbers you can call to report a lost or stolen card.

If you have a problem with a gift card, contact the company that issued the card. If you can't resolve the problem at that level, you may want to file a complaint with the appropriate authorities.

For cards issued by retailers, contact the Federal Trade Commission at [www.ftc.gov/](http://www.ftc.gov/) or call toll-free: 1-877-FTC-HELP. In Tennessee, you can contact the Tennessee Division of Consumer Affairs by calling 1-800-342-8385 or online at [www.tn.gov/consumer/](http://www.tn.gov/consumer/) to file a complaint.