



WATCH FOR HIDDEN FEES ON GIFT CARDS

by Texas Attorney General Greg Abbott

CONSUMER GROUPS ESTIMATE THAT shoppers spent more than \$20 billion on holiday gift cards in 2007. While gift cards are a popular solution to gift-giving dilemmas, they often include expiration dates and fees that can quickly diminish the card's value. Consumers who receive gift cards must read the fine print to ensure they redeem the cards for their full amounts.

Retailer-issued gift cards typically can be used at the issuer's stores and other places owned by the same parent company. The cards usually have an expiration date and may carry a monthly "dormancy" or "administrative" fee. Such fees can vary and generally decrease the value of a card for each month it goes unused.

Gift cards issued by banks or credit card companies usually bear the logo of a major credit card and generally are accepted by any merchants on that credit card network. Banks may charge a fee to purchase the card and may

assess other charges, as well. If the card is purchased online, the issuer often adds shipping and handling charges.

Whether gift cards are purchased from a retailer or a financial institution, cardholders may also be charged fees for activating the card; verifying the remaining card balance; replacing a lost or stolen card; or adding value to a card. Issuers may also require the card be used at physical stores and place restrictions on using the card for online purchases.

To redeem a gift card's full value, consumers should carefully read the applicable terms and conditions. Cardholders should pay close attention to expiration dates and fully understand when monthly maintenance fees begin. Monthly fees can begin as early as six months after the card is issued. Some gift cards double or triple the activation fee if a card expires before it's used.

Billing errors, unauthorized purchases and other discrepancies often

are difficult to fix. If a card is lost or stolen, consumers should immediately report it to the issuer. Some issuers will not replace the cards, but others may replace them for a fee.

The Texas Legislature earlier this year passed a new law to help make the gift card process more understandable for consumers. Beginning in 2009, this new law will require card issuers to fully disclose expiration dates, monthly fees and contract terms at the time of purchase. Issuers also will be prohibited from charging fees that decrease the card's value until a full year after the card is sold.

In the meantime, Texans should buy gift cards only from trusted sources and carefully read the fine print. Consumers who receive gift cards should pay attention to expiration dates and fees and use the cards quickly and in full. The longer a cardholder retains a gift card without using it, the more the card decreases in value.

POINTS TO REMEMBER



GIFT CARDS

Gift cards issued by retailers or financial institutions often include expiration dates and fees that can quickly diminish the card's worth. Consumers should:

- Buy gift cards only from trusted sources. Avoid online auction sites where cards may have been fraudulently obtained.
- Read the fine print and pay close attention to expiration dates and monthly maintenance fees.
- Inquire about the issuer's replacement policy for lost or stolen cards.
- Check on purchase restrictions, including online purchases.
- Use gift cards quickly and in full.

For more information about this and other consumer topics, visit the Office of the Attorney General's Web site at www.oag.state.tx.us or call us toll-free at **(800) 252-8011**



ATTORNEY GENERAL OF TEXAS
GREG ABBOTT