

Is a Gift Card the Best Gift?

Chances are you may have received a gift card, or purchased one to give as a gift—last year nearly \$25 billion in gift cards were purchased. Gift cards have been steadily increasing as a quick and easy way to take care of the age-old challenge of what to buy someone for a gift. But while their popularity has been increasing, a number of concerns have come to light about gift cards. Before you purchase a gift card for someone – or if you receive a gift card – there are some things you should find out. Different gift cards have different terms and conditions. Here are some of the most important terms and conditions that you should be sure to check, and that should be disclosed to you; if they're not, beware.

- **FEES.** Make sure you know whether fees may apply to the card.

Some gift cards may not have fees, but others do charge various types and amounts of fees. Some fees may be paid in cash, but others are simply deducted from the value on the card. These fees may include:

- 🕒 Purchase Fees that are charged when you buy a gift card.

These are in addition to the money you pay in exchange for the value on the card.

- 🕒 Monthly Fees or other regular charges (such as service fees,

administrative fees, or maintenance fees) that are deducted from the gift card balance.

🕒 Inactivity Fees that apply if you do not use the card within a certain time period (for example, a monthly fee that is deducted from the gift card balance if the card's value has not been used up within 6 months after the card is purchased).

🕒 Transaction Fees for using the card – either for all transactions, for a high number of transactions, or for certain types of transactions (for example, ATM withdrawals).

🕒 Miscellaneous Fees for balance inquiries, replacing a lost or stolen card, or other services related to the card.

🕒 Check to see if the gift card, or its packaging, includes information on fees or provides a toll-free number or website with full information about fees connected with the card.

• **EXPIRATION DATES.** Make sure you know whether there is an expiration date for the card . . . and what that expiration date is. If a gift card expires, you may not be able to use it, and the company that sold it to you will keep whatever money is left on the card. If there is an expiration date, you should also find out whether you can ask for the card to be reissued with a new expiration date, and what the fee

would be for issuing a new card. If this information is not stated on the gift card itself (or its

packaging), check to see if there is a toll-free number or website that will provide this information.

- **LOST OR STOLEN CARDS.** You should also find out the rules for lost or stolen cards. Can you get a replacement card? Would there be a fee for doing so? If someone else uses the card after it is lost or stolen, would that money be credited to the replacement card?

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Important Reminder: Keep the receipt for the gift card purchase, and write down the card number. These may be needed if you or the person who received the card as a gift needs a replacement card.

- **WHERE YOU CAN USE THE CARD.** A store gift card often can be used only at the store where it was purchased (or related stores).

Other gift cards, like those with a connection to the VISA® or MasterCard® systems, can be used at many locations around the world. Some gift cards can even be used to get cash at an ATM.

- **TRUST.** Remember that a gift card is like a loan: you are giving

money to the company that holds the value of the card until you use it, and they are promising to give that money back when you ask for it.

Make sure you know who is standing behind that promise, and remember that you are putting your trust in that company (and its financial stability).

• **PROBLEMS AND COMPLAINTS.** If your gift card is lost, or not working properly, or you have some other problem with your gift card, is there a convenient way (like a toll-free number) to make a complaint and get your problem fixed?

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ONE FINAL NOTE TO PURCHASERS OF GIFT CARDS: If information about fees, expiration dates, or other matters appears on a document separate from the gift card itself, make sure you pass that important information on to the recipient to protect the value of your gift!

Problems with gift cards may be difficult to resolve. One possible source of legal help is the Consumer Protection Division of the Michigan Attorney General's office. You can call them at (877) 765-8388. The Legal Hotline for Michigan Seniors (800-347-5297) can give you

information about your legal rights and advice on what course to take should you have a problem with a gift card.

Recently, the Federal Trade Commission settled an action against Kmart Corporation involving allegations that Kmart advertised and sold gift cards with hidden fees and false promises. A bill to regulate gift cards is pending in the Michigan legislature. The bill will provide consumers with more protection than they have now.

Gift cards sold online, particularly those sold on online auctions, and cards sold off racks at retail stores are frequently utilized by scammers, in a variety of devious ways, to cheat people out of their money and should be avoided; if you decide to buy a gift card, buy it directly from a merchant.

Most people think that when they buy a gift card to give as a gift, they are giving the recipient more choice than if they just bought some item, but in reality, the choice is somewhat limited in that it must be used at just one store and there may be restrictions. Giving someone money may still be the best gift. When's the last time you opened a card, money fell out and you were disappointed?

