

What to know about gift cards

Gift cards continue to be a popular choice for both gift givers and recipients. Whether you're the one buying a gift card or the one receiving it, you'll want to know what rules apply, how to protect the card, and how to stay safe from fraud.

Here's what you need to know.

Choosing to give a gift card

While many people prefer to receive gift cards, they might not be the best choice for every recipient. (There are billions of dollars on unused and lost gift cards.) When deciding whether to give someone a gift card, ask yourself:

- Are they hard to please? If so, a gift card could be the ideal gift, because it allows the recipient to choose exactly what they want.
- Are they likely to lose or misplace a card? If so, perhaps a physical gift card isn't the best option. With an e-gift card, the balance can be accessed with a password and PIN.
- Are they likely to forget about the gift card, or unlikely to take the steps to use it? If so, a box with a bow on it might ultimately be a better choice.

Retail gift card versus bank gift card

While a gift card removes much of the difficult gift-related decision making, you'll still need to choose between a card for a particular business (not to mention *which* business) and a network-branded gift card.

A retail gift card, which can only be used at a particular business, shows that you put thought into the type of gift the recipient would like. For example, you might buy a restaurant gift card for a foodie, a clothing retailer's card for a fashionista, or a home improvement store card for the DIYer.

A network-branded bank gift card displays the logo of American Express, Discover, Mastercard or Visa, and can be used at any business that accepts that type of card. These cards can also be used at certain ATMs to get the card balance in cash.

If buying a retail gift card, consider the financial health of the business (if it goes bankrupt, the card could become worthless) and how convenient it will be for the recipient to use it. For example, if someone is not accustomed to shopping online, an e-card might go unused. Likewise, if the brick-and-mortar business that issued the card isn't easy for the recipient to get to, they might just toss the card in a drawer.



Fees

A federal law (the Credit Card Accountability Responsibility and Disclosure Act) governs what fees gift card issuers can charge.

Under the law, card issuers can't charge any inactivity (dormancy) or service fees until one year of inactivity has passed. If you haven't used the card in at least a year, you can be charged one dormancy fee per month.

You can be charged other fees, such as a maintenance fee after the first year or a fee to replace a lost or stolen card, though not all card issuers charge these. Fees are deducted from the card balance.

All fees must be disclosed on the card or packaging. Read the terms and conditions before choosing a card.

Expiration

Under the same federal law, a gift card must remain valid for five years after the date it was activated. For cards that allow you to add additional funds after purchase—typically network-branded cards—those funds also have to be good for five years.

Many states do not permit gift cards to expire. (Typically, state law prevails if it provides greater consumer protections than federal law.) Contact your state's consumer protection office for more information (<https://bit.ly/3uQ1tkN>). Even if the card won't expire, it might display an expira-

tion date. Most cards do, so that they can be used online (shopping cart checkout forms typically require a card expiration date). If the card expiration date is within the first five years, and there are still unused funds on it, it may have to be replaced. In such a case, the issuer cannot charge a fee for replacing the card.

Protecting your gift card

If you're the buyer of a gift card, examine the packaging to make sure it hasn't been tampered with (see "Avoiding fraud and scams" below). Keep the receipt or include it with the gift card when you present it.

If you're the recipient of a gift card, go to the card issuer's website as soon as possible and follow the instructions for setting up an account and registering the card. Some card issuers will replace a lost or stolen card, but many of them will only do so if the card was registered before it went missing. (Some will do it as long as you have the purchase receipt.)

Keep the card number, expiration date, security code/PIN, customer service phone number, and account login in a safe place. Take a photo of the gift card and store receipt with your phone. This will ensure you have the numbers in case you have to report a problem.

If you notice the card missing, contact the card issuer immediately to cancel it and find out the process for getting a replacement card. There may or may not be a card replacement fee. (If you don't have the card, but you do have the card number, expiration date and security code, you could still use it online.)

Not all card issuers will replace a card, so treat your gift card like cash.

Another way of protecting your gift card is to use it soon, so there's less risk of it being lost or stolen (a possibility with both physical and e-cards), and you don't lose part of the value to inflation or fees.

Even if you use up the entire card balance on a purchase, keep the card until you know you won't need to make a return—the business might require that refunds be put back onto the card.

If you can't find anything to spend the gift card on, there are many websites where you can sell the card or trade it for one you prefer (<https://money.usnews.com/money/personal-finance/spending/articles/8-sites-to-sell-gift-cards-online>).

There is a fee for the service, but it is small compared to letting the card go unused. (For gift card buyers, these sites are a way to purchase gift cards at a discount.) Be careful to use only a reputable card selling service. Little-known websites that offer high prices for card sellers or steep discounts for card buyers are often just a way to steal card balances and personal information. Don't sell or trade your gift card through online auction sites.

Avoiding fraud and scams

Buy gift cards only from trusted sources. Avoid online auction sites, because the cards may be counterfeit or stolen.

When buying a gift card from a store display, check the card and packaging for any signs of tampering. Thieves have made it a practice to record card account numbers and security codes of the displayed cards and then monitor the card balance online, to use the funds before the card recipient can. Make sure the security code/PIN—usually covered by a sticker or scratch-off coating—has not been revealed.

Don't click on or respond to online ads or websites offering free gift cards, or websites that claim to check your gift card balance. These are most likely scams designed to steal your card balance or your personal information.

Remember that gift cards are just that—gifts. They are not intended as a form of payment. Scammers often demand payment in gift cards because they are easily transferred (the scammer just needs you to tell them the card number and PIN) and are, essentially, untraceable. If someone asks you to pay with gift cards, it is certainly a scam.

If you think you've been the victim of a gift card scam, report it to the Federal Trade Commission (<https://report-fraud.ftc.gov/#/>). If you think you've been the victim of a gift card scam involving Walmart gift cards, report it to 888-537-5503.

Stay updated on the latest scams and learn how to recognize and avoid them by reading Consumer Action's monthly SCAM GRAM newsletter (<https://www.consumer-action.org/news/scam-gram>). You can subscribe here (https://consumer-action.org/Join_Our_Email_List).

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