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Resources

File a Consumer
Complaint
Other Complaint
Resources
News Releases &
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Consumer Holiday Tips: Gift Cards - December 2007

Gift Card Fact Sheet – and Tips for Consumers

Prepared by the Iowa State Treasurer's Office and the Iowa Attorney General's Office.

Bank-Issued Gift Cards:

The fastest growing segment of the gift card industry is bank-issued cards. These cards have the logo of a bank or credit card company on them (American Express, MasterCard, Visa, Discover, etc.) They are issued directly by the card companies at their web sites, by financial institutions, or by shopping malls. The main advantage is that bank-issued cards are widely accepted, almost anywhere that type of debit or credit card is accepted. Some other facts about bank-issued cards:

- Bank cards often have a processing fee charged at time of purchase of the card, which can range from \$2.50 to \$9.95. Cards purchased by phone or on-line are likely to have additional processing fees.
- Bank cards are more likely to have various fees: maintenance fees, inactivity fees, replacement fees, fees to check your balance, re-issue fees for transferring the remaining balance to a new gift card when the old card is in danger of expiring, re-issue fees for lost or stolen cards. They may have expiration dates.
- Purchasers and recipients should read the disclosures, which may be offered at the time of purchase, or at the card issuers' web sites.

Retail Gift Cards:

Many retailers issue gift cards. There may be expiration dates and fees, but they are not always disclosed. Most major retailers and restaurants are moving away from expiration dates and non-usage fees, but some may still impose them. So, read the fine print. A card that claims to "never expire" may have activity fees that reduce the value of the card by eating its value sometimes month by month. (The Attorney General and State Treasurer take the position that unused cards should be reported by the issuer as "unclaimed property" after three years, and they are considering proposing legislation that would prohibit expiration dates and the imposition of fees that reduce the card's value.)

Not all retailers will replace lost or stolen cards, and those who do usually require proof of purchase. Some retailers reserve the right to change the terms and conditions of their cards, so current terms may not be guaranteed for the life of the card.

Tips for BUYERS of gift cards:

- Buy from a reputable business -- and buy a card that will be convenient for the recipient to use.
- Ask about expiration dates and fees. The information may appear on the card itself, on the accompanying sleeve or envelope, in the terms and conditions, or on the issuer's website or another custom website. If you don't see it, ask for it in writing. Read all disclosures – and if they are too confusing, you may want to avoid purchasing the card.
- Give the receipt and information to the recipient (or a parent) to help protect the value of the card and in case it is lost or stolen. The recipient should know and understand the card's terms and conditions.

Tips for RECIPIENTS of gift cards:

- Read the terms and conditions as soon as you get the card. Check the expiration policy and policies for lost or stolen cards.
- Record the card number and the customer service telephone number, and keep the information in a safe place.
- Keep track of your card. If it is lost or stolen, report it to the customer service number immediately.
- Use your card promptly to avoid losing it or hassling with expiration dates or fees.
- Check your card balance before you head out shopping. (Most cards offer a phone or Web option to do this.) And, if you're making a purchase that's more than your card balance, tell the cashier in advance.
- Keep your card even after you've spent the full amount, until you're sure that you don't need to return any merchandise.

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