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STATE TREASURER
DENISE L. NAPIER**

NEWS

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House Backs Nappier Proposal to Stop Retailers from Seizing Unused Value of Consumer Gift Cards

*Senate action expected Thursday; new law would help consumers retain rights
to cash value of gift cards in perpetuity*

One month to the day after State Treasurer Denise Nappier announced a legislative proposal to prohibit retail stores from charging consumers monthly inactivity fees that deplete the value of their gift cards, the House of Representatives has approved the ban.

Nappier praised the House action and urged the Senate to add their approval, saying it would protect consumers from retailers that currently "double dip -- selling the gift cards to consumers in the first place, and then taking back the unused value if the card isn't fully utilized fast enough, often leaving consumers with a worthless gift card."

The Treasurer said consumers are generally unaware that retail stores can now deduct as much as \$5.00 a month from gift cards that are unused for a period of time, reducing the monetary value of the card. Under the current system, which permits in some cases the deductions to be made retroactively to the beginning of the inactivity, the value of these cards -- purchased by consumers and often given as gifts -- can erode in a relatively short time.

In banning the current practice of retailers subtracting value from the cards, the plan would require retailers to turn over the unused value to the Treasurer's Office after 3 years of inactivity, which would maintain the value in perpetuity for the consumer until the value is claimed.

"In my view, the unused portion of the card still belongs to the consumer, not the company. Retailers shouldn't be allowed to whittle away the value and take it back. Our role is to step in and protect consumers' rights, working to make certain their money stays theirs," Nappier said.

This procedure would be consistent with other unclaimed assets, such as old bank accounts and uncashed paychecks. Current law in Connecticut -- as well as nearly every state in the nation -- requires holders of property that has been abandoned for a certain period of time, usually three years, to be turned over to the Treasury so that it may be preserved for

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rightful owners. The property is turned over to the state only if the rightful owner cannot be found by the entity holding that property. All unclaimed property turned over to the state can be claimed in perpetuity by the rightful owners.

The *Wall Street Journal* recently reported that retailers retain an estimated \$2 billion annually from the value of gift cards, which are often lost or not fully redeemed. On average, 5 to 10 percent of the value stored on gift cards never gets used by consumers. The *Journal* reported that sales of the cards are expected to total approximately \$37 billion for 2002, up about 20 percent from the previous year. The National Retail Federation, an industry trade association, has said that gift cards and certificates are one of the top 10 most popular holiday gifts.

"The retailer receives their money when the card or certificate is purchased," Nappier said. "They should not keep the cash without providing any goods or services."

Nappier said that while retailers are selling gift cards in record numbers, consumers are often unaware of a significant 'catch' attached to the purchase. The fine print on the back of many cards says the company will charge a monthly fee – sometimes as much as \$5.00 — if the card is unused or if a balance remains after a year or two.

"The bottom line is that the consumer should never lose the value of the gift card or the gift certificate," Nappier said. "Consumers paid for it, consumers should keep the full face value or any unredeemed portion in its entirety."

"We take the return of assets and safeguard individual property very seriously, and we work hard at it. I'm proud to say that over the last four years, we have returned more money to more people and businesses than in any four-year period in the program's history," Nappier said. The Treasurer noted that businesses as well as individuals file claims as rightful owners of abandoned assets, and those assets are returned to the businesses – including many retailers -- by the Treasurer's Office without service fees.

Just over \$38.3 million in unclaimed or abandoned assets was returned by the Treasurer's Office to rightful owners or heirs during the past four fiscal years, to more than 33,000 individuals and businesses. By comparison, \$20.6 million was returned to just over 18,000 rightful owners during the previous four years.

Nappier expressed some concern that the version of the proposal approved by the House would also permit expiration dates on gift cards and gift certificates. The Treasurer's proposal had sought a prohibition on expiration dates as well as a ban on dormancy fees. Nappier added that under the plan approved by the House, retailers would still be required to remit the unused value of gift cards and certificates after the expiration date and those funds will be maintained by the Treasury for consumers. Nappier said that with expiration dates permitted, the fact that the unused value would be turned over to the Treasury may be less clear to consumers. "I would have preferred that the legislature remove expiration dates, period," Nappier said.

The gift card "dormancy fee" ban was included in the FY2004 budget approved by the House of Representatives on Wednesday and is expected to be considered by the Senate on Thursday.

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