



OFFICE OF
STATE TREASURER
DENISE L. NAPIER

NEWS

FOR IMMEDIATE RELEASE

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HOLIDAY SHOPPING ALERT:

***There's never been a better time to buy gift cards in Connecticut;
New consumer law prevents inactivity fees from diminishing gift card value***

With gift card sales expected to be the highest ever this holiday season, a new state Gift Card Law, initiated by State Treasurer Denise L. Nappier, will enable Connecticut shoppers to purchase retail gift cards and gift certificates with no expiration date or inactivity fees that in the past have diminished their value.



Previously, Connecticut consumers lost money from their cards or certificates when they failed to use them before their expiration dates. Others discovered that monthly fees, called inactivity fees, had diminished or depleted the value of their cards after an extended period of non-use.

"The bottom line here is that Connecticut's new law rights a terrible wrong when it comes to protecting consumers rights. Under no circumstances should the value of a purchased gift card or certificate be eroded because the consumer did not use it by some arbitrary time," Nappier said. "Consumers paid for it, and have every right to keep the full value until they use it completely -- according to their own timetable."

The state's new law applies to gift cards and certificates sold in Connecticut on or after August 16, 2003, the date it was passed by the General Assembly.

Nappier noted that the holiday shopping season is a great time to inform Connecticut shoppers of their rights under the new gift card law. From all accounts, the increasing popularity of gifts cards and certificates could mean record purchase levels this holiday season.

"Our message is that gift cards are now a convenience for consumers, not a double-dipping profit center for retailers. So, Connecticut consumers have an even greater incentive now to put gift cards on their shopping list," Nappier said.

Under the previous law, many Connecticut stores, restaurants and other businesses, particularly national chains, imposed inactivity fees and expirations dates that depleted over time the value of gifts cards and gift certificates.

For example, one leading retailer doing business in Connecticut imposed a \$2.00 inactivity fee — retroactively — if its gift card remained inactive for 24 consecutive months. That means an unused \$50 gift card would have been automatically reduced by \$48 after 24 consecutive months of non-use. Other retailers charged inactivity fees ranging from \$1.50 to \$5.00 per month.

“It was an outrageous practice that retailers were allowed to subtract value from consumer gift cards. Now, we have a law that fully protects consumers and their money,” Nappier said, adding that “I’m just as concerned for consumers that still have cards purchased on or before August 15, which are not affected by the new law, and I urge consumers to use them now, while they still can.”

GIFT CARD SALES INCREASE DRAMATICALLY

Gift cards are one of the most rapidly growing segments of the retail industry. More than \$36 billion worth of gift cards were sold nationwide last year and sales are expected to top \$45 billion this year. According to a recent survey by the National Retail Federation (NRF), 69.9 percent of consumers plan to buy gift cards this holiday season, spending an average of \$34.24 per card. And when asked, nearly half of consumers (48.4 percent) said they would like to receive gift cards this year, up from 41.3 percent in 2002, according to an earlier survey.

Another industry survey this year (conducted by The Marketing Workshop, Inc. of Norcross, GA) found that 65 percent of gift card purchases are planned, rather than impulse buys, reflecting the tremendous impact of new technology on the public’s gift-buying habits.

To ensure that Connecticut retailers are familiar with the new law, Nappier’s Office provided direct notification to businesses across the state after learning that retail associations had opted not to provide basic information about the law to their members.

Nappier said the challenge facing her office is to ensure that the public understands its rights under the new law. That effort is made more difficult by the continued use by some retailers of language on the back of gift cards that refers to expiration dates and inactivity fees that are permitted in many other states, but not Connecticut.

“In addition, there are those who oppose the new law and believe that retailers own these gift cards and should be allowed to keep any unused value, even though they never provided the goods or services. As a result, the assumption being made by some is that without a massive education campaign for both consumers and retailers, the state will not be able to enforce the new law and ensure compliance.”

Nappier’s Office has heard reports of some retailers that have recently informed consumers that their gift cards were subject to activity fees and/or expiration dates, notwithstanding the new law, which essentially bans such charges.

On the contrary, said Nappier, “there are other retailers who see this new law as a wonderful opportunity to promote their business.” As an example, Nappier pointed to retail advertisements already appearing that promote a ‘no fees – no expiration date’ policy to help attract customers.

NEW CONSUMER PROTECTIONS PART OF TREASURY’S ONGOING EFFORTS

The elimination of expiration dates and inactivity fees adds additional consumer protections to the state’s pre-existing unclaimed property statutes. Under those pre-existing laws, businesses are required to turn over to the Treasurer’s Office any unused value of a gift certificate or gift card sold in Connecticut three years from purchase or the last customer-initiated transaction date.

To help businesses identify gift certificates and gift cards sold in Connecticut, a provision of the new law requires businesses that sell gift cards, such as retailers, restaurants, grocery stores, boutiques or salons, to keep a record of the purchaser's zip code along with the gift card identification number.

The Treasurer's Office acts as custodian of the unused value of those gift certificates and gift cards until the owner claims the assets. Consumers may claim the unredeemed value of the gift card from the State Treasurer's Unclaimed Property Division, as long as they hold the gift certificate or gift card and it has been reported to the Treasury by the retailer in accordance with the law.

In recent years, Nappier's office has set state records for returning unclaimed property to consumers and established a program tailored to reunite business with their unclaimed assets.

Unclaimed property include assets such as savings and checking accounts, stocks, bonds, mutual fund shares, safe deposit box contents, and un-cashed checks, such as insurance benefits or wages.

More than 13,000 claims worth \$9.4 million were paid during the fiscal year ending June 30, 2003. During the last five years, more than \$47.8 million has been returned to more than 42,500 individuals and businesses -- more than in any five-year period in the unclaimed property program's 70-year history. In each of the last four consecutive years, more than \$9 million was returned to individuals and businesses.

The Treasury's Unclaimed Property Division is available to assist consumers in understanding their rights and businesses in complying with annual reporting requirements. Additional information, for consumers and businesses, is available via the Treasury's web site link at www.giftcardlaw.com.

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