



STATE OF CONNECTICUT **NEWS RELEASE**

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Nappier, Blumenthal Call on Congress to Protect State Ban on Dormancy Fees, Expiration Dates on Gift Cards

Connecticut Treasurer Denise L. Nappier and Attorney General Richard Blumenthal today called on Congress to pass legislation strengthening and clarifying the authority of Connecticut and other states to prohibit dormancy fees and expiration dates on gift cards.

Nappier and Blumenthal made their call in the wake of a recent federal court decision that Simon Property Group, one of the nation's largest mall owners, may circumvent state bans on dormancy fees and expiration dates by having national banks issue its gift cards.

Blumenthal and Nappier said Danbury Fair Mall owner The Macerich Company appears to have joined Simon in imposing dormancy fees and expiration dates on its gift cards. The company's cards are issued by a national bank. Blumenthal is investigating whether Macerich is violating state law.

"Congress needs to make clear that companies cannot hide under the shelter of federally chartered banks to bilk consumers, and action on this issue is long past due," said Nappier, who led the 2003 effort to pass Connecticut's landmark gift card law. "The danger in this court ruling and these practices, if they are allowed to stand, is that other malls – and perhaps even other businesses - will follow Simon's lead, moving their gift cards under the shelter of federal banks so as to pile up insidious and unnecessary charges on consumers, eviscerating the protections of Connecticut's gift card law."

"Congress should send retailers like Simon a gift card message: Consumers deserve full value, nothing less," Blumenthal said. "Retailers must follow state laws requiring them to honor the full face value of their gift cards. Gift card issuers who skirt state laws banning dormancy fees and expiration dates enrich themselves at consumer expense. Gift cards should have secure value just like dollars in a drawer.

"In the face of a new generation of gift cards that include severe limitations, stronger enforcement of both state and federal laws should follow. National Banks and retailers that deceptively market these cards as traditional gift certificates should face federal and state sanctions," Blumenthal said.

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A U.S. District Court in New Hampshire last month upheld Simon's argument that the gift card it sells is not subject to a New Hampshire law, similar to Connecticut's, because the card is issued by a national bank and therefore falls under federal banking laws. However, in a recent bulletin the U. S. Office of Controller of the Currency declared that even federally chartered banks cannot deceptively market these cards.

Blumenthal successfully defended the state from a federal lawsuit filed by Simon to prevent him from enforcing Connecticut's gift card law. Simon has appealed the decision. Blumenthal has filed a separate action in state court seeking to force Simon to comply with Connecticut's gift card law. The case is pending.

The Danbury Fair Mall apparently charges monthly \$2.00 dormancy fees after one year, as well as \$2.00 to transfer the balance of an expired card to a new card. Simon has sought to impose more and bigger fees. Simon gift card holders have \$2.50 a month deducted from their balance beginning one year from the card's purchase – gradually eroding the balance to zero. In addition, consumers must pay \$15.00 to have the balance on an existing, but expired, card placed onto a new card. The original \$7.50 fee has doubled since 2003.

"Gift cards should be a convenience for shoppers and retailers, not a new way to pick consumers' pockets," Nappier said. "The message from one mall owner to consumers is quite clear - Simon says: you pay. And unfortunately, they are not alone in that approach."

Industry analysts say that sales of gift cards nationwide doubled over the past five years and are expected to hit \$72.8 billion in 2006, up from \$65 billion in 2005. It's estimated that between 5% and 10% -- approximately \$6 billion in 2005 -- of the cards' original balance goes unredeemed and is retained by issuers such as a retail stores or mall companies.

END

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