

# GIFT CARDS & GIFT CERTIFICATES

Gift cards or certificates, whether purchased from a retailer, a restaurant, or financial institution may come with strings attached. Here are some facts to keep you informed.

A **Gift Card** is a preloaded debit card that allows the cardholder to use it for the purchase of goods or services. Some gift cards can only be used at select retailers, but some can be used anywhere that accepts major credit cards. Some gift cards may also be reloadable, which provides the cardholder with the ability to add funds to the card and continue using it.

A **Gift Certificate** a piece of paper that is worth a certain amount of money and is given to someone to be used like money to pay for things, such as the products or services of a particular business.

The different kinds of cards:

- **Store gift cards.** Branded by a single merchant or group of merchants, and can only be used at those stores.
- **Network branded gift cards.** These will have a logo like American Express, Discover, MasterCard, or Visa and can be used wherever the network credit cards are used. They are reloadable, which means the recipient can add more money to them when they run out.
- **Reloadable prepaid cards.** You can use these cards the same way you'd use reloadable gift cards, but the rules that cover these cards are not the same. If it isn't sold as a gift card, then the federal rules that cover gift cards don't apply. For example, for such cards, the card issuer might immediately start charging fees, such as monthly service fees.

## EXAMPLE:

**Question:** I received a card as a gift from my children last Christmas as just haven't gotten around to using it until recently. When I went to make the purchase I had way less available credit than what was given to me. What happened!?

**Answer:** The value of the gift card you buy or receive today could evaporate by \$2.50 or more every month that the card sits unused in a wallet or pocketbook. This is also known as "dormancy fee." Dormancy fees cannot be imposed unless the

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card has been unused for at least 12 months. Only one such fee could be charged per month, and the issuer's policy on dormancy fees must be clearly disclosed.

**Question:** I've had a gift card for more than several months now and I went to check my balance for the 2<sup>nd</sup> time since I received the card and an automatic fee was deducted from my card for just checking the balance. How can they do that if all I wanted was my balance on the card?

**Answer:** This is known as a balance-checking fee and should be listed in your terms and conditions of the card. Typically the first call you make to check your balance is free, subsequent calls thereafter a fee will be deducted from your card automatically.

If you are giving the card as a gift, give the recipient the terms and conditions and receipt so they have all pertinent information should they encounter problems with the card. The terms and conditions are sometimes included in the original packaging. Also, before purchasing the card consider the financial condition of the business offering the card. For example, if you give a store gift card and the retailer goes out of business, the card may not be redeemable. Also, if locations near your recipient close, the card may be harder to use.

If a gift card or gift certificate contains an expiration date or if it has dormancy fees or other fees associated with it and has not been redeemed **within three years**, the holder is required to file an electronic report to the South Dakota Unclaimed Property Fund, a Division under the South Dakota State Treasurer's Office regarding the unclaimed or abandoned property. They can be reached at 1-866-357-2547 (in-state only), 605-773-3379 or visit [www.sdtreasurer.gov/unclaimedproperty](http://www.sdtreasurer.gov/unclaimedproperty). If a prepaid gift card or gift certificate does not contain an expiration date and has no fees associated with them, they would be exempt from the unclaimed property law.