



## Government Proposes Limiting Restrictions and Fees on Gift Cards

On Monday, the Federal Reserve proposed new rules to protect consumers from unexpected costs and restrictions on gift cards, gift certificates, and other prepaid cards typically redeemable by any store or merchant that accepts the card brand.

These rules seek to comply with a provision in a law passed by Congress and signed by President Obama on May 25, 2009: the Credit Card Accountability, Responsibility and Disclosure Act of 2009 (CARD).



The Fed offered this statement: “Consumers who do not use the value of the card within a short period of time may be surprised to find that the card has expired or that dormancy or service fees have reduced the value of the card. Even where fees or terms are disclosed on or with the card, the disclosures may not be clear and conspicuous.”

Under the proposed Fed rules, consumers must have at least five years to use a gift card before it expires. The expiration date must be clearly stated. The new rules allow service or inactivity fees to be imposed only under certain conditions. Fees can be imposed only if the consumer hasn't used the card in at least a year, and then only if the consumer is given clear disclosures about an inactivity fee on a given card. Fees must be limited to one per month.

Industry groups and interested members of the public can comment on the Fed's proposal, which may be revised before a final version is adopted. The new rules are not scheduled to take effect until August 22, 2010, meaning that they will have no effect on consumers this shopping season, which many are expecting to be dismal due to the struggling economy.



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