

Federal Reserve Issues Gift Card Rules

Gonzalo E. Mon

March 29, 2010

Last week, the Federal Reserve Board [announced final rules](#) that restrict the application of fees and expiration dates to store gift cards, gift certificates, and general-use prepaid cards. The rules are issued under Regulation E and become effective August 22, 2010.

The rules apply to gift certificates, store gift cards, and general-use prepaid cards, as those terms are defined in the Credit CARD Act. Covered products include retail gift cards, which can be used to buy goods or services at a single merchant or affiliated group of merchants, and network-branded gift cards, which are redeemable at any merchant that accepts the card brand. The rule does not apply to other types of prepaid cards, including reloadable prepaid cards that are not marketed or labeled as a gift card or gift certificate, and prepaid cards received through a loyalty, award, or promotional program.

The rules prohibit imposition of dormancy, inactivity, or service fees unless (1) there has been at least one year of inactivity on the certificate or card, (2) no more than one such fee is charged per month, and (3) the consumer is given clear and conspicuous disclosures about the fees. The rules also prohibit the sale or issuance of a gift certificate, store gift card, or general-use prepaid card that has an expiration date of less than five years after the date a certificate or card is issued or the date funds are last loaded.

Keep in mind that in addition to the new federal rules, gift cards are subject to a patchwork of state laws. Indeed, the new rules provide that a state law is not preempted due to inconsistency with federal law if the state law is more protective of consumers. Unfortunately, then, issuers still need to make sure that any cards that are marketed across the country comply with all of the relevant state laws.