

Frequently Asked Questions: Prepaid Purchase Cards

GENERAL INFORMATION

What are prepaid purchase cards?

Prepaid purchase cards include gift cards, gift certificates and vouchers with a monetary value that are issued or sold in exchange for the future supply of goods and services.

Examples of prepaid purchase cards are:

- A gift card purchased for \$10 that is good for \$10 worth of merchandise in a book store.
- A gift certificate purchased for \$50 that is good for \$50 toward a restaurant meal.

Examples of items that are not considered prepaid purchase cards:

- Tickets for events, such as a hockey game.
- Telephone cards.
- Cards that can be used like credit cards and have credit card branding, such as VISA, MasterCard or American Express.

Why is government regulating prepaid purchase cards?

Consumers want full value from their money, and they do not want to see the value of a card reduced by service charges and expiry dates. Other provinces are also moving to eliminate fees and expiry dates.

WHAT IS COVERED UNDER THE NEW LAW

Will all cards be subject to the new law?

The new law takes effect November 1, 2008. It does not apply to cards issued or sold before that date. People purchasing cards should keep their receipt as proof of the date of purchase.

Government has stated that businesses may use up old card stock and sell cards that may still show expiry dates or fees. If they do, they must use signs or other materials that make it clear to the purchaser that the new rules apply to these cards if sold after November 1st.

Government has also indicated that cards with credit card branding or logos as well as phone cards are not covered by this regulation.

Are cards purchased for business use covered?

No, the law only applies to cards issued or sold for consumer use – primarily personal, family or household. For example, a pre-paid travel card purchased by a business for its employees use while on business would not be covered.

EXPIRY DATES

Why are cards issued for specific goods or services allowed to have expiry dates?

It is not expected that a business would make the same product or service available indefinitely, and at the same price. An example of a card issued for a specific service is a card good for a hair cut in a salon.

Why are cards issued for charitable purposes allowed to have expiry dates?

Businesses offer these cards to help charities, such as schools and non-profit groups, to raise money and it is reasonable that they are time-limited.

"A marketplace that is fair to both consumers and businesses"

Why are cards issued for promotional purposes allowed to have expiry dates?

Businesses issue these cards for free or at a reduced price to attract new customers and to keep existing customers coming back. A consumer is getting a card for free or at a reduced price and it is reasonable that the cards are time-limited.

Examples of cards that are issued for promotional purposes:

- Rewards and loyalty cards.
- Vouchers for discounts on certain products issued to members of an organization.
- Coupon books for discount goods or services, such as 2-for-1 meals at restaurants.

FEES

Why are fees permitted for replacing a card or customizing a card?

Retailers are providing an additional service or convenience over and above the value of the card itself. Businesses also need to recover the costs of providing these extra services.

Why are mall cards allowed to charge fees?

There are extra costs involved with processing cards that can be used at multiple unaffiliated sellers, for example several stores in a mall. Without fees, it is likely that some mall cards would be discontinued.

Mall card issuers must make purchasers aware that extra fees apply, so that purchasers can make informed decisions about the purchase. If a post-purchase fee applies, information about the fee must be included on the card itself. This will remind the consumer to use the card before post-purchase fees begin, no earlier than 15 months after purchase. At the request of the consumer, post-purchase fees can be delayed for an additional three months.

What fees can be charged for a mall card?

Mall cards can charge the following fees:

- A fee of up to \$1.50 at the time of purchase.
- If there is a balance remaining on the card 15 months after purchase, a post-purchase fee of up to \$2.50 per month may be deducted from the balance. A consumer may request a three-month extension before the fees are charged.

What happens if I am charged a fee that is not permitted?

A consumer that is charged fees that are not permitted should ask the business for a refund of fees. If the issue is not resolved, the consumer can make a request in writing to the business for return of the fees. Consumers should keep any paperwork showing fees, such as receipts.

OTHER QUESTIONS - FOR BUSINESSES

Will businesses need to revise their cards or packaging?

Businesses may need to revise their cards and packaging so that the following information is disclosed at the time of purchase:

- All restrictions, limitations, terms and conditions on the use, redemption or replacement of cards, including any permitted fees or expiry dates.
- How a consumer can obtain more information, including any remaining balance.
- Information about post-purchase fees charged must be on the card itself.

Are fees and expiry dates on old card stock still valid?

They are only valid if the card was purchased before November 1, 2008. Businesses must not charge a fee or enforce an expiry date on a card purchased after November 1st unless it is permitted.

OTHER QUESTIONS - FOR CONSUMERS

If a consumer buys a card for someone to use in another province, which provincial laws apply?

A BC consumer faced with an expiry date or fee on a card purchased in another province could ask the BC business to waive the expiry date or fee as the card is being used in BC. It appears that many national chains are adjusting their practices to comply with Ontario's law which is very similar to BC's. Consumers are encouraged to look up the law in each province. To date only Ontario, Manitoba and BC have regulations in place however most of the other provinces are moving toward prohibiting expiry dates.

If a consumer returns an item that was bought with a prepaid purchase card but no longer has the card, what happens?

The retailer may issue another card for the refunded amount or decide to provide the refund in another manner. Consumers may want to ask the business about their policy prior to making their purchase so they know what to expect.

What happens if a consumer has a prepaid purchase card for a store that has gone bankrupt?

The law does not provide protection for the purchaser or cardholder in the event of bankruptcy.

What happens if I have a complaint about expiry dates, fees or disclosure?

It is anticipated that most businesses will want to work with consumers to resolve any issues so we encourage consumers to contact the business first if they have any problems with their cards.

If you can't resolve the issue with the business, please contact the Business Practices and Consumer Protection Authority (BPCPA). The BPCPA may contact the business and help resolve the issue. If a business does not comply with the law, it could eventually be fined up to \$50,000. For more information about the BPCPA, please call the Inquiry Centre toll free at 1-888-564-9963 or visit the BPCPA website at www.bccpa.ca.