



Submission to CCAAC Gift Card Review

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About CHOICE

CHOICE exists to unlock the power of consumers. Our vision is for Australians to be the most savvy and active consumers in the world.

As a social enterprise we do this by providing clear information, advice and support on consumer goods and services; by taking action with consumers against bad practice wherever it may exist; and by fearlessly speaking out to promote consumers' interests - ensuring the consumer voice is heard clearly, loudly and cogently in corporations and in governments.

To find out more about CHOICE's campaign work visit www.choice.com.au/campaigns and subscribe to CHOICE Campaigns Update at www.choice.com.au/ccu.

CHOICE supports the move to clamp down on anti-consumer practices relating to expiry and conditions of use in the \$1.5 billion gift card industry.

Our November 2011 survey found that nearly all gift cards sold in Australia expire after one year. This is grossly insufficient and leaves many consumers unfairly out of pocket without clear recourse.

At the time, Bunnings offered the only card with no expiry date, though the hardware store has since been joined by Toys “R” Us, EB Games, and sharedvalue.com.

These are steps in the right direction, but most gift cards still run out too soon and can have hidden fees, charges and conditions.

While gift cards make a convenient present, they have been the subject of numerous complaints to CHOICE over the years.

About three in four participants in the CHOICE survey told us they’d received at least one gift card in the past 12 months, with a similar proportion giving one as a present in the same period.

More than half experienced the biggest pitfall of gift cards - it expired before they were able to use its full value.

Issues raised include:

Consumer uncertainty:

David Jones say they will exchange expired cards for new ones and JB Hi-Fi say they will always honour their gift cards, even after they’ve expired. A large number of card providers told CHOICE they allow a grace period (usually one month) after the card has expired. However, such provisions often rely on goodwill and/or the training of the shop front worker.

Unclear expiry dates:

Some cards state only their issue date rather than the expiry date (they usually also state the time period for expiry after the issue date), which is the case for Coles, Coles Group & Myer, JB Hi-Fi, Big W, iTunes, Village Cinemas, Westfield and Myer gift cards. This means it’s easier for consumers to misunderstand the terms of gift cards.

Balance checking:

You should also be able to conveniently check the remaining value on the gift card. While most allow you to do so via a website or dedicated customer phone number, others require you to check the balance in-store.

Fees and charges

Fees are mainly a problem with Visa and MasterCard gift cards. There is usually a purchase fee (\$5.95, for example), and there may also be fees of up to \$4.50 for checking the card's balance over the phone (less expensive or free online, or automated phone services may be available). These gift cards usually expire after 12 months and any remaining balance is lost. Most retailer cards have no fees, with some exceptions; the Westfield gift card charges a \$1.95 issue fee and, while Red Balloon allows an extension of their experience vouchers for up to three months, there is a \$10 charge per month for this or a \$30 charge for a one-month extension if the voucher has expired.

Case study: Westfield warning

Joan* was presented with two Westfield gift cards to the total value of \$1000, upon her retirement. She failed to use the full value of the cards within the required 12 months. "I was actually 7 days late when my card was rejected in a Westfield Shopping Centre. The value on the cards still remaining was \$560. I have been through the process of applying to the Westfield Gift Card Team to have the card date extended, or the remaining value of the card refunded, but received a letter saying that my application has been denied."

Joan says she is aware of retailers who have gift cards without an expiry date. "I wonder why it is necessary for Westfield to do so when the only people to lose are those who have given the gift in the first place? I strongly feel the consumer should be warned of the risks associated with such gifts."

A Westfield spokesperson, Julia Clarke, said the 12-month validity of the company's gift cards is stated clearly on the back of cards, and in the terms and conditions available at all Westfield customer service desks and at www.westfield.com. "At times there may be extenuating circumstances in which an expiry period may be extended or reinstated, however it is not normal practice."

* Name changed to protect identity.

Recommendations.

CHOICE believes there's no evidence that seeking to extend expiry dates to terms such as five years will do much to alleviate the issue of non-use. It may in fact perversely encourage the hoarding of cards for even more distant rainy days.

We believe raising consumer awareness about expiry dates will help reduce problems associated with unused funds.

We believe competition can best drive consumer benefit in this industry with examples such as Red Balloon extending expiry dates, albeit it at a cost.

The strongest consumer anger is over the most direct detriment - the cards whose value ceases to exist at the stroke of midnight after a certain term with no recourse at all for appeal, extension or anything else.

A two fold approach may help

- Voluntary best-practice terms for retailers. A logo on cards and at point of sale perhaps indicating compliance with a code includes longer expiry periods and more importantly greater flexibility after such periods have expired
- Mandated product-disclosure requirements for gift card terms and conditions. Clear labels which say when the card expires not when it was issued and perhaps on the front of the card NOT the back. A current practice seems to be of including a page of fine type with terms and conditions but it seems unlikely the recipient as opposed to the buyers of any gift card will get such a PDS let alone read it.

There's an argument that IF cards insist on expiry dates they should be redeemable for cash at any time up until it expires.

Feedback to CHOICE from members:

“ I was surprised in today's environment where there is non-stop bleating from major retailers about the lack of consumer spending that they were so unwilling to generate some goodwill. I am lucky in that I have the option of a very good non-Westfield and will now be avoiding Westfields whenever practical.

In the past, I have also purchased gift cards for others but given the expiry date and other issues will not be doing so again. A short sighted policy - guaranteed quick buck for nothing vs long term customer satisfaction. ”

“ I find gift cards as currently offered a really weird custom.

Firstly when you buy a gift voucher from a single store, surely they should offer you a say a \$50 card for \$45, because you a giving them a sure sale. They no longer have to advertise to attract that customer. And there has been no effort expended to make the sale.

Secondly why have an expiry date? The nominal value of the card is less in real value as time goes on (it's called inflation) so the store wins anyway. An expiry date means they expect money for jam.

The best gift card is cash wrapped in a ribbon.”