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February 27, 2024

To: The Honorable C. T. Wilson  
Chair, Economic Matters Committee

From: Karen S. Straughn, Assistant Attorney General  
Steven M. Sakamoto-Wengel, Consumer Protection Counsel for Regulation, Legislation  
and Policy  
Consumer Protection Division

Re: House Bill 896 – Consumer Protection – Retail Sales of Gift Cards (Gift Card Scams  
Prevention Act of 2024) (Support with Amendment)

The Consumer Protection Division of the Office of the Attorney General submits the following written testimony in support, with amendment, of House Bill 896 submitted by Delegate Vaughn Stewart. The bill would require businesses that sell gift cards to provide a disclosure to purchasers prepared by the Division and would further require the merchant to provide training on gift card fraud to its employees. The bill would also require protections to prevent tampering with gift cards that are held for sale. Finally, it would require the Consumer Protection Division to register every merchant in the state that sells gift cards online. Because we do not feel that registering those merchants adds to the protections in the bill, and because it would be expensive for the Division to implement, we seek an amendment to remove this requirement under the bill.

Gift cards are an extremely popular form of currency. They can be a good substitute form of payment if you'd rather not pay cash or use a credit card, and can make good gifts for holidays or special occasions. Although there are good uses of gift cards, scammers frequently request that their victims provide them payment in the form of gift cards. However, unlike credit cards, there typically isn't any recourse for consumers when a gift card is stolen or used without

authorization or as payment to a scam artist, so it is very hard to reverse the purchases or get a refund in these situations.

This bill helps to ensure that gift cards are kept in secure packaging or are relatively inaccessible prior to purchase to prevent theft and misuse. In addition, it requires disclosures that will help to better educate consumers about possible scams involving gift cards, as well as training of employees to recognize signs of a scam, which should reduce the number of successful scams.

This bill also requires the Consumer Protection Division to register every merchant that sells gift cards online, a formidable task at best. Not only would this require a large number of resources to identify and register every merchant who sells gift cards, which would likely number in the thousands if not tens of thousands, it would not be likely to prevent scams from occurring. Although the bill provides that the Division may charge a registration fee, it is unlikely that the Division could set the fee high enough to cover the expenses of administering the registration program. However, once training is provided by the merchant to its employees, and consumers are notified of the possible warning signs, there is often little more than can be done to prevent victims.

For these reasons, we ask that the Economic Matters Committee return a favorable report with an amendment removing the requirement of the Consumer Protection Division to register all merchants that sell gift cards online in the State.

**cc:** The Honorable Vaughn Stewart  
Members, Economic Matters Committee