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To: The Honorable Pamela Beidle
Chair, Finance Committee

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

Re: Senate Bill 760 – Consumer Protection – Retail Sales of Gift Cards (Gift Card Scams
Prevention Act of 2024) (Support with Amendments)

The Consumer Protection Division of the Office of the Attorney General submits the following written testimony in support, with amendments, of Senate Bill 760 submitted by Senator Benjamin F. Kramer. 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 for gift cards, scammers frequently request that their victims provide 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.

For these reasons, we ask that the Finance 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 Benjamin F. Kramer
Members, Finance Committee