



State Aims to Enforce Rules On Gift Cards Crystal Mall Owners Oppose State's Stand

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By **Anthony Cronin, Day Business Editor**

State officials called Friday for Congress to enact legislation that would strengthen states' ability to regulate retail gift cards sold at some of the nation's largest shopping malls.

Attorney General Richard Blumenthal and Treasurer Denise L. Nappier held a joint afternoon press conference to urge federal legislation that would protect a state's right to impose a ban on fees charged for dormant gift cards and to prohibit expiration dates for such cards. Both are currently banned in Connecticut.

The state officials said their action stems from a recent federal court ruling allowing Simon Property Group, which owns Crystal Mall in Waterford, to possibly circumvent such state bans. The federal court said that since the Indianapolis-based Simon uses a nationally chartered bank to issue its gift cards rather than a state-chartered bank, it may not be beholden to state regulations governing the use of such cards.

Simon is one of the country's largest mall operators, with interests in nearly 300 properties across the country covering some 200 million square feet of space. Crystal Mall, which opened in 1984, covers about a million square feet. Simon officials were unavailable for comment Friday.

Blumenthal and Simon have been sparring in the courts over the use and regulation of the gift cards, after some consumers complained about fees charged for inactive cards and cards expiring without their knowledge. Mall gift cards typically can be used at the various retailers within the mall.

Gift cards are a huge business for retailers and malls, with industry analysts estimating that over the past five years use of such cards has doubled among the retailing public. Last year, those analysts estimated that gift cards rung up sales of about \$65 billion, and they forecast that this year those sales could top \$72 billion.

The state officials estimated that this year between 5 and 10 percent -- or roughly \$6 billion -- of gift cards' original balances are never redeemed by the public at retail stores or the mall that issued the card.

Mall operators and retailers, however, have said the fees they charge in connection with the card programs offset the administrative costs of administering the programs and are not meant to penalize customers. In addition, retailers say their various gift cards continue to gain in popularity among shoppers, especially during the busy Christmas season.

Blumenthal and Nappier said Simon gift-card holders have \$2.50 a month deducted from their balance, beginning a year after the card's purchase. The state officials said consumers now pay \$15 to transfer the balance on an expired Simon card to a new card. Several years ago, the fee was \$7.50.

"Congress needs to make clear that companies cannot hide under the shelter of federally chartered banks to bilk consumers," said Nappier, who in 2003 was instrumental in Connecticut adopting its landmark bans on gift-card dormancy fees and expiration dates.

Blumenthal urged mall operators who issue gift cards to honor the full face value of their cards. "Gift cards should have secure value, just like dollars in a drawer," Blumenthal said.

The attorney general was successful in defending Connecticut against a federal lawsuit filed by Simon seeking to prevent him from enforcing Connecticut's gift-card law. Simon has since appealed that decision.

Blumenthal also has filed legal action in state court seeking to make Simon comply with Connecticut's gift-card law. Blumenthal and Nappier said other mall operators with sites around Connecticut also impose various dormancy fees and impose expiration dates on gift cards.

a.cronin@theday.com ■