



1 March 2011

**SUBMISSION ON GIFT CARDS IN THE AUSTRALIAN MARKET:  
CCAAC ISSUES PAPER - DECEMBER 2011**

**BACKGROUND**

The Queensland Consumers' Association (the Association) is a non-profit organisation which exists to advance the interests of Queensland consumers. The Association's members work in a voluntary capacity and specialise in particular policy areas. The Association is a member of the Consumers' Federation of Australia, the peak body for Australian consumer groups.

Due to its limited resources the Association is only able to make a brief submission.

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**GENERAL COMMENTS**

The Association:

- Strongly welcomes the CCAAC's decision to investigate this very important and hitherto largely neglected matter which is complex, involves large amounts of money, and very many consumers.
- Notes that the associated matter of how unused gift card revenue is treated when companies go into liquidation is in the news again with the WOW Group now being in the hands of receivers who have indicated that issued gift vouchers will not be honoured.
- Considers that although the Issues Paper refers to, and is to some extent based on, some research, good policy in this area is only likely to emerge if further research is done. Research is needed particularly on the incidence and extent of problems being experienced by consumers now, and likely to be in the future, and on possible solutions to these problems.
- Recognises that the Issues Paper invites submissions to provide evidence for views given etc but emphasises that the Australian consumer movement does not have the resources<sup>1</sup> needed to collect such evidence or undertake the necessary research.

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<sup>1</sup> This again highlights the need for the Australian government to provide funding for national consumer research and advocacy as recommended twice by the Productivity Commission.

- Recommends that before arriving at any final positions on this matter the CCAAC commission appropriate research on consumer experiences, views etc. As a minimum this research should include a survey of consumers.
- Cautions against the use of data on complaints to regulators as the sole or even the main source of information about the extent and nature of consumer problems in this area. This is because much consumer dissatisfaction and detriment is not picked up by such data due to the understandable failure of consumers to complain to regulators for the many and varied reasons given in the Australian Consumer Survey 2011. Also, because any such data normally only covers unresolved disputes between consumers and providers there is no quantification of the extent to which consumers have complained to providers and had their problem resolved even though the underlying level of such complaints is highly relevant to any assessment of the extent of the problems and the total consumer detriment, including the costs to the consumer of taking action to get the complaint resolved..

## **SPECIFIC COMMENTS**

Our responses to some of the consultation questions are in bold type below:

**1.1 What are the features that characterise the gift card market and what trends are likely to shape the manner in which consumers use gift cards into the future? Gift cards are bought and used for a great variety of reasons which are likely to grow, as also will the total amount spent.**

**1.3 Does the existing consumer protection framework provide practical protections for consumers who experience problems or issues when they purchase or receive gift cards?**

**The current framework is too general and the protections are too generic. Some specific protections are needed which take account of the special features of gift cards, including that the fact that the card may have been given to the consumer may reduce the incentive to complain about unsatisfactory conditions, treatment, etc. Also, the value of some cards may be relatively small and this reduces the incentive for consumers to take action when not satisfied. Minimum standards are needed in some basic and critical areas such as expiry dates, and provision of cash change when the card value is not fully spent. We believe that as an absolute minimum no gift card should have an expiry date of less than 1 year (which is a relatively easy time period for consumers to remember) and ideally it should be longer. We also believe that consumers should as a right be able to get back cash up to \$10 of any unused value on a gift card.**

**1.4 What specific features of the ASIC Act and the ACL should be promoted to consumers to better inform them of their rights in relation to gift cards?**

**What evidence is there to demonstrate that issues related to gift card terms and conditions lead to consumer detriment?**

**As indicated in our general comments, we consider that the CCAAC should commission research on this. A well designed independent survey of a**

**reasonable number of consumers would produce much useful information about this.**

**2.8 How can information about gift card terms and conditions be effectively communicated to people purchasing gift cards as well as to those receiving gift cards?**

**We believe that after any changes to the current arrangements a national consumer education campaign is needed on this topic. Also, before periods of increased consumer purchase of gift cards, eg Christmas, and other national gift giving days, government agencies should remind consumers about some key issues to consider when buying and receiving gift cards and what their rights are.**

**2.11 Are the generic consumer protections afforded under the ACL and the ASIC Act capable of addressing concerns relating to gift card administration?**

**See response to 1.3.**

**2.13 Are there any market indicators which suggest that the Australian gift card market is not operating efficiently?**

**An obvious one is the reported substantial proportion of gift cards that are not redeemed.**

**2.15 Do consumers compare the terms and conditions of alternative gift card products when making gift card purchases? Please provide examples.**

**Few consumers probably compare terms and conditions. The many reasons for this include that buying gift cards is not a common event for most people and many cards are bought at the last minute as an impulse purchase.**