



20 April 2012

CCAAC Gift Card Review  
c/- The Manager  
Consumer Policy Framework Unit  
Infrastructure, Competition and Consumer Division  
Treasury  
Langton Crescent  
PARKES ACT 2600

To Whom It May Concern

**GIFT CARDS IN THE AUSTRALIAN MARKET: ISSUES PAPER SUBMISSION**

Visa is pleased to be in a position to provide the attached submission to the Commonwealth Consumer Affairs Advisory Council (CCAAC) *Gift Cards in the Australian Market: Issues Paper* (Issues Paper) consultation.

Visa is a global payments technology company that connects consumers, businesses, financial institutions and governments in more than 200 countries and territories to fast, secure and reliable digital currency. We have over 1.9 billion cards in operation around the world, with US\$5.9 trillion transacted on our payment products over the four quarters ending 30 September 2011.

If the CCAAC or Treasury has any questions in relation to this submission, please feel free to contact either myself or Mr Justin Mining, Manager, Government Relations at [jmining@visa.com](mailto:jmining@visa.com) or (02) 9253 8827.

Yours sincerely

**Adam Wand**  
Head of Public Affairs  
Australia, New Zealand and South Pacific



Submission to the Commonwealth  
Consumer Affairs Advisory Council  
(CCAAC) Gift Cards Review

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## Gift Cards Review

### Executive Summary

- Visa prepaid cards are offered to consumers through a range of retailers and financial institutions and enabled and supported through Visa’s global network including the VisaNet processing system.
- Visa prepaid cards are referred to generally, and in the consultation paper, as “open-loop” cards.
- Visa’s open-loop prepaid cards offer significant benefits to consumers, including being:
  - Issued by Authorised Deposit-taking Institutions (ADI), which are subject to regulation and oversight by the Australian Prudential and Regulatory Authority (APRA);
  - Able to be used at any merchant worldwide where a Visa card is accepted, and as such they are not store specific;
  - Able to be used for online, phone and other remote purchases, and not just at a physical point-of-sale; and
  - Subject to an expiry period of up to five (5) years, which must always be clearly displayed to consumers.
- In light of the fact open-loop prepaid products already offer a safe and convenient payment method for consumers, any further regulation of open-loop gift cards would be unnecessary and could reduce flexibility and innovation in the Australian prepaid card market, harming consumers and the economy.
- Visa supports the clear disclosure of prepaid product terms and conditions, including any applicable expiry dates and fees, to ensure consumers can make informed decisions in relation to gift cards, as evidenced by our approach to the issuance of open-loop prepaid cards.

## Gift cards in the Australian market

### Visa

Visa is a global payments technology company that connects consumers, businesses, financial institutions and governments in more than 200 countries and territories to fast, secure and reliable digital currency. We have over 1.9 billion cards in operation around the world, with US\$5.9 trillion transacted on our payment products over the four quarters ending 30 September 2011.

### Visa Prepaid Products

Visa provides access to the world's largest retail electronic payments network through a range of Visa-branded products and services that are designed to deliver choice, convenience and security. This network, known as VisaNet, supports a range of 'open-loop' prepaid products in Australia developed to meet the particular needs of consumers and which, we understand, may fall within the scope of this CCAAC review.

Visa's prepaid products, offered in Australia since 2006, enable consumers – even those without traditional banking relationships – to utilise their pre-funded cards to make everyday purchases, pay bills and supply them as gift cards. Visa prepaid cards are supported by Visa's global network including the VisaNet processing system, allowing the products to be used for the purchase of goods and services with merchants who generally accept and process Visa cards electronically.

The Visa range of prepaid cards includes disposable cards that can be used until the balance is spent and reloadable cards that can be topped up with funds on an ongoing basis. Visa prepaid cards and services are offered to consumers through a range of retailers and financial institutions and are directed towards certain types of use such as gift cards or travel cards.

Visa's open-loop prepaid cards offer significant benefits to consumers, including being:

- Issued by ADIs, which are subject to regulation by APRA;
- Able to be used at any merchant worldwide where a Visa card is accepted, and as such they are not store specific;
- Able to be used for online, phone and other remote purchases, and not just at a physical point-of-sale; and
- Subject to an expiry period of up to five (5) years, which must always be clearly displayed to consumers.

## Review issues

### General

Visa has a strong interest in ensuring that the terms and conditions underpinning the issuance and use of gift cards contain appropriate consumer protections. However, we note that while the Issues Paper appears to outline examples of consumer detriment almost solely in relation to 'closed-loop' merchant gift cards, the CCAAC has included all open-loop prepaid cards as part of its review.

This is despite open-loop prepaid products already being subject to important regulations, including prudential requirements for card issuers, from which closed-loop merchant gift cards are mostly exempt.

Open-loop prepaid products offer a safe and convenient payment method for consumers and their use helps to alleviate most of the problems identified as leading to consumer harm in the gift card market in Australia.

In light of the fact open-loop prepaid products already offer a safe and convenient payment method for consumers, any further regulation of open-loop gift cards would be unnecessary and could reduce flexibility and innovation in the Australian prepaid card market, harming consumers and the economy.

### Terms & Conditions

Visa supports the clear disclosure of prepaid product terms and conditions, including any applicable expiry dates and fees, to ensure consumers can make informed decisions in relation to gift cards. Full disclosure of these terms and conditions help to prevent consumers not fully understanding the features of the product they are purchasing.

Visa prepaid issuers already deploy a range of disclosure techniques to ensure consumers are fully informed when using open-loop prepaid cards. These measures ensure that cardholders are afforded the opportunity to read the terms and conditions. The terms are usually contained on the packaging that comes with the prepaid card, which can be read prior to purchase. These are also usually listed on the issuer's website so that the terms can be accessed online.

We believe that there is already a high level of understanding in the community regarding the common terms and conditions associated with the issue and use of gift cards. Visa is not in a position to comment on the use of terms and conditions in relation to closed-loop cards.

## Expiry Dates

The issuers of Visa prepaid products usually impose an expiry period of at least 12-months and up to a maximum of five (5) years.

The expiry date on Visa prepaid products is clearly communicated to the consumer as it is displayed on both the card itself and the packaging that comes with the card. Further, many issuers also often enable recipients of the cards to access further information on the expiry dates on their websites. We believe that these measures address concerns over unreasonably short validity periods or expiry dates not being disclosed to consumers.

Visa is not in a position to comment on the use of expiry dates in relation to closed-loop cards but we acknowledge the importance of clearly disclosed and reasonable expiry dates for gift cards.

## Insolvency Losses

Visa prepaid cards are subject to a set of comprehensive scheme rules, known as the Visa International Operating Regulations, as well as a range of domestic legal requirements impacting Visa prepaid card issuing financial institutions.

Most importantly, funds are held by the Visa prepaid card issuer which is typically an ADI, meaning they are subject to substantial regulatory obligations, including prudential supervision by APRA, and the full financial and consumer protection that affords. This makes it extremely unlikely that the holder of an open-loop prepaid card would be adversely impacted by the insolvency of an issuer.

Consumers are also protected from any losses arising from the insolvency of a particular merchant when using open-loop Visa prepaid cards, as the value stored on such a product remains without reference to any merchant or merchant group's financial status.

While Visa is not in a position to comment on the status of closed-loop cards in the event of insolvency, we acknowledge the importance of consumers being protected from such losses.

## Discharge of Low Balances and/or Unredeemed Amounts

On a Visa prepaid product, consumers are able to use any remaining low balance to make a small value purchase at any merchant accepting a Visa card. Equally, such an amount can also be used as partial payment in a higher value transaction. Many of our issuers also allow consumers to register their open-loop prepaid card online, which gives them the ability to check their card balance and transaction history.

Visa is not in a position to comment on the operation of closed-loop cards in relation to this issue. We believe that the features of our open-loop prepaid products address any concerns on this issue as they relate to open-loop products.

### Fees

As Visa does not set prepaid card fees paid by cardholders, we cannot comment specifically on fee levels of either open or closed-loop prepaid cards.

We would however note, that the rapid growth in the number of open-loop prepaid cards in Australia supports the view that consumers believe that, in general terms, the fee levels currently payable for such cards are justified in terms of the convenience and security offered by the products.

Further, we note that there are important structural differences in the business models of open and closed-loop card issuers that may be reflected in card fees. Whereas closed-loop card issuers generally benefit from the card amount being spent on their products, that is, within the store who has issued the closed-loop card, open-loop card issuers only receive returns from the fees imposed on transactions. Without the ability to impose reasonable fees, there is a strong possibility that many open-loop card issuers would stop offering their prepaid products, subsequently reducing the choice offered to Australian consumers.



