

Date of Hearing: April 1, 2019

ASSEMBLY COMMITTEE ON BANKING AND FINANCE

Monique Limón, Chair

AB 1428 (Calderon) – As Introduced February 22, 2019

SUBJECT: Business practices: prepaid credit cards: refund choices

SUMMARY: Requires a business that offers a refund to a customer via a prepaid debit card to offer the customer a choice among refund formats, including offering a refund back to the original form of payment and offering a refund via a check. Specifically, **this bill:**

Provides the following definitions, including but not limited to:

- 1) **Prepaid debit card** means a debit card that meets either of the following:
 - a. A card, as specified, that is usable at multiple, unaffiliated merchants for goods or services, or usable at automated teller machines.
 - b. The terms, as specified, defined in the regulations adopted under the Electronic Fund Transfer Act regarding general use reloadable cards.
- 2) **Business** means a proprietorship, partnership, corporation, or other form of commercial enterprise. **Business** does NOT include a retail establishment or restaurant.

EXISTING LAW: Existing law requires a retail seller of goods to the public that has a policy of denying full cash or credit refunds for the exchange of merchandise for goods of equal value for at least 7 days following the purchase of the goods, to conspicuously display that store's refund and exchange policy.

FISCAL EFFECT: Unknown

COMMENTS: When a consumer seeks a refund for a particular good or service, current law dictates the means by which businesses may refund the purchase price or any overpayment incurred in the transaction. This bill seeks to provide consumers with a choice of the format of the refund.

The author states:

AB 1428 is a consumer protection measure. Consumers should be issued refunds in a format that is easy to use, without barriers to fully utilizing the funds they are due back. Unfortunately, prepaid debit cards have less regulatory protections than credit cards or gift cards, making them a generally less preferable financial instrument. While there may be some instances where refund via prepaid debit card is preferable – likely for the unbanked consumer – by and large, given the usage restrictions, maintenance fees, and expiration dates, these payment instruments are not favorable to the consumer. Use of a prepaid debit card as a refunding method is likely intentionally designed to create “slippage,” e.g. a purposefully constructed payment resulting in pay out of less than 100% of the money owed to a customer. AB 1428 seeks to rectify this wrong, not by outright

prohibiting a questionable refund practice, but by allowing the consumer to decide what method of refund they prefer.

Arguments in Support

Consumer Reports notes, “Refunds often represent important household funds that families need, and for some, convenient access to these funds is critical. Prepaid cards issued to unwilling recipients can erect barriers between consumers and their money.” This bill provides consumer choice by ensuring that consumers can get their money back using the original purchase method, a prepaid debit card or a check.

Arguments in Opposition

The Committee has not received any letters in opposition. However, conversations with stakeholders reveal a concern that it may not be possible to provide a refund in cash if that was the original means of payment. This becomes particularly difficult when a consumer makes a payment through a third party entity that subsequently transfers payment to the intended business.

The author remains in discussions with stakeholders to address this issue.

REGISTERED SUPPORT / OPPOSITION:

Support

Consumer Reports

Opposition

None on file

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