



# Prepaid Cards: 10 Things to Consider Before Buying

Prepaid cards have become popular as an alternative way to pay for purchases, or to give as gifts. While prepaid cards offer several benefits, they have costs and conditions that you should be aware of.

**There are two main types of prepaid cards. Both require you to pay up front to “load” money on to a card for later use and both are sometimes referred to as “gift cards”.**

- Prepaid cards from retailers can only be used at a single store or group of stores, such as a chain or a shopping mall.
- Other prepaid cards, usually branded with a payment card network operator’s logo, such as American Express, MasterCard or Visa, can be used at most merchants that display the specific network’s logo.

## 10 QUESTIONS TO ASK TO MAKE SURE YOU ARE WELL INFORMED

### #1: Does the prepaid card have an activation fee?

Some prepaid cards charge an activation fee or purchase fee before you can use them. Activation fees vary; they can be a preset flat fee or they can depend on the card’s value.

For example, if a \$50 prepaid card has an activation fee of \$4.95, you are paying almost 10 percent of the card’s value just to use it.

### #2: Is information on fees, terms and conditions available?

Information on fees, terms and conditions should be available to you where prepaid cards are sold, on the prepaid card packaging or on the card issuer’s website. Before you commit to buying the card, read the information in the prepaid card agreement carefully.

If you are buying the prepaid card as a gift, be sure to provide this information and the proof of purchase to the recipient along with the card.

**#3:**  
**Does the prepaid card have an expiry date?**

Some prepaid cards have expiry dates, and others do not. If there is an expiry date, you will no longer be able to use the card after that date. For some prepaid cards, you lose any money left on the card when it expires. For other cards, the remaining money can be transferred to a new card. However, there may be a fee to issue a replacement card.

**#4:**  
**What kinds of fees apply to prepaid cards?**

Depending on the features of your prepaid card, you can be charged fees to check your balance, to withdraw money from automated banking machines (ABMs), to replace the card, customize it or load more money onto it.

In addition, some prepaid cards charge purchase fees, monthly maintenance fees or a dormancy fee if the card is not used for a certain period of time. It is important to review the card's terms and conditions to see if and when any of these fees apply.

**#5:**  
**What happens if the prepaid card is lost or stolen?**

When you report a card lost or stolen, the card issuer may be able to transfer any money left on the card to a new card; check whether a fee would apply. In other cases, you could be out of pocket just as though you had lost cash. Check your prepaid card agreement for details.

**Beware of prepaid card fraud:**

- Be cautious about buying prepaid cards that are easily accessible where they are sold, as fraudsters sometimes copy card numbers and PINs or security codes, and use them once the prepaid card is activated.
- If you buy a prepaid card that is offered for resale, make sure you buy it from a trusted source to limit the risk that it is counterfeit or compromised.

**#6:**  
**How do you find out your prepaid card balance?**

Most prepaid cards offer several ways to find out your balance, including online, telephone, mobile phone and in-store inquiries. Check whether there are any fees to make a card balance inquiry.

**TIP: Keep your receipts to help you track your card balance; this will also help you if you ever want to dispute a charge.**

**#7:**  
**Can you add more money onto the prepaid card balance and keep using the card?**

Prepaid cards may be either reloadable or non-reloadable. With a reloadable card, you can add or “load” money onto the balance of the card and keep using the card. For non-reloadable cards, once the balance reaches zero, the card is no longer valid.

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**#8:**  
**Can you cancel the prepaid card?**

Find out what happens if you or the gift card recipient decides to cancel the card.

- Some card issuers will allow you to cancel the card for a fee, which they deduct from the remaining balance before you receive any money back.
- For some prepaid cards, the cancellation fee is equal to the balance on the card at the time of cancellation; in these cases, you would not receive any money back.

Check the prepaid card terms and conditions for more details.

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**#9:**  
**Where can you use your prepaid card?**

Before buying, find out if the card is accepted at locations where you are likely to shop. Also, if you plan to use the card for online purchases or outside of Canada, confirm with the prepaid card issuer whether you will be able to do so.

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**#10:**  
**Would another form of payment be better?**

Use the payment option that gives you the benefits you want at a cost that is acceptable to you. Compare fees and benefits for using cash, prepaid cards, debit cards and credit cards, and decide which option works best for your own use or as a gift.

## Other FCAC information of interest

### Tip Sheets

- Making a Budget and Sticking to it
- How to Make a Complaint

### Publications

- Pre-paid Cards
- Choosing the Right Credit Card for You
- Understanding Credit Card Fees

### Interactive tools

- Credit Card Selector Tool
- Banking Package Selector Tool

## About Financial Consumer Agency of Canada (FCAC)

With educational materials and interactive tools, the Financial Consumer Agency of Canada (FCAC) provides objective information about financial products and services to help Canadians increase their financial knowledge and confidence in managing their personal finances. FCAC informs consumers about their rights and responsibilities when dealing with banks and federally regulated trust, loan and insurance companies. FCAC also makes sure that federally regulated financial institutions, payment card network operators and external complaints bodies comply with legislation and industry commitments intended to protect consumers.

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