

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007

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SENATE DRS65067-LD-12 (12/27)

Short Title: Contracts With Automatic Renewal Clauses. (Public)

Sponsors: Senator Berger of Franklin.

Referred to:

A BILL TO BE ENTITLED

AN ACT TO REQUIRE BUSINESSES THAT SELL PRODUCTS OR SERVICES TO CONSUMERS PURSUANT TO CONTRACTS THAT AUTOMATICALLY RENEW UNLESS THE CONSUMERS CANCEL THE CONTRACTS TO DISCLOSE THE RENEWAL CLAUSES AND, FOR CONTRACTS THAT AUTOMATICALLY RENEW FOR MORE THAN ONE MONTH, TO NOTIFY THE CONSUMERS IN WRITING PRIOR TO THE CANCELLATION DEADLINE IN THE AUTOMATIC RENEWAL CLAUSE.

The General Assembly of North Carolina enacts:

SECTION 1. Article 1 of Chapter 75 of the General Statutes is amended by adding a new section to read:

§ 75-40. Contracts with automatic renewal clauses.

(a) Any person, firm, or corporation engaged in commerce that sells or offers to sell any products or services to a consumer pursuant to a contract, where the contract automatically renews unless the consumer cancels the contract, shall disclose the automatic renewal clause clearly and conspicuously in the contract, including the cancellation procedure.

(b) Any person, firm, or corporation engaged in commerce that sells or offers to sell any products or services to a consumer pursuant to a contract, where the contract automatically renews for a specified term of more than one month unless the consumer cancels the contract, shall notify the consumer in writing of the automatic renewal no less than 30 days and no more than 60 days before the cancellation deadline as provided in the automatic renewal clause. The written notice under this subsection shall disclose clearly and conspicuously all of the following:

(1) That the contract will automatically renew, unless the consumer cancels the contract.

1 (2) Where the consumer can obtain details not contained in the contract's
2 automatic renewal clause of the automatic renewal and the cancellation
3 procedure.

4 (c) A person, firm, or corporation that fails to comply with subsection (a) of this
5 section or, for any contract that automatically renews for a specified term of more than
6 one month, subsection (b) of this section is in violation of this section unless the person,
7 firm, or corporation demonstrates that all of the following are its routine business
8 practice:

9 (1) It has established and implemented written procedures to comply with
10 this section and enforces compliance with the procedures.

11 (2) Any failure to comply with this section is the result of error.

12 (3) Where an error has caused the failure to comply with this section, it
13 provides a full refund or credit for all amounts billed to or paid by the
14 consumer from the date of the renewal until the date of the termination
15 of the contract, or the date of the subsequent notice of renewal,
16 whichever occurs first.

17 (d) A violation of this section is an unfair trade practice under G.S. 75-1.1."

18 **SECTION 2.** This act becomes effective October 1, 2007, and applies to
19 contracts entered into on or after that date.