



HOUSE BILL 631: Notice Before Automatic Contract Renewal

2015-2016 General Assembly

Committee:	House Judiciary III	Date:	April 28, 2015
Introduced by:	Rep. Jackson	Prepared by:	Bill Patterson
Analysis of:	PCS to First Edition H631-CSTG-19		Committee Counsel

SUMMARY: *The PCS for House Bill 631 would make an automatic contract renewal for a term exceeding 30 days void and unenforceable unless the consumer is given written notice that the contract will automatically renew if the consumer does not cancel it, and would require the notice to be given no sooner than 30 days and no later than 15 days before the renewal. The PCS limits the notice requirement to automatic renewals for periods exceeding 30 days, provides for notice by personal delivery, electronic mail or first-class mail, excludes entities regulated by the FCC under federal law, by the N.C. Utilities Commission under State law, or doing business under authorization issued by a political subdivision of the State or any agency thereof, and makes technical and clarifying changes.*

CURRENT LAW:

G.S. 75-41 requires certain persons who sell, lease, or offer to sell or lease products and services to consumers to make the following disclosures when their contracts automatically renew unless the consumer cancels the contract:

- The clause itself must be disclosed clearly and conspicuously in the contract or contract offer
- The cancellation procedure must be disclosed clearly and conspicuously in the contract, contract offer, or with delivery of products or services

If these disclosures are not made, the automatic renewal clause is void and unenforceable unless the provider of the product or service can demonstrate all of the following:

- It has established written procedures to comply with the requirements and enforces compliance;
- Its failure to comply with the disclosure requirements was the result of error; and
- In the case of its failure to disclose because of an error, a full refund is provided to the consumer for amounts billed from the date of the renewal until the earliest of either the date of termination of the contract or the date of the subsequent notice of renewal.

BILL ANALYSIS: Section 1 of the PCS would amend G.S. 75-41 by adding a requirement that the consumer be notified in writing that the contract will automatically renew unless the consumer cancels it prior to the date on which it is scheduled to automatically renew. The notice would have to be given to the consumer no earlier than 30 days and no later than 15 days before the effective date of the automatic renewal, by personal delivery, electronic mail, or first class mail.

The PCS would also exempt from the requirements of amend G.S. 75-41 any entity that is:

- subject to regulation by the Federal Communications Commission under Title 47 of the United States Code;

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- subject to regulation by the North Carolina Utilities Commission under Chapter 62 of the General Statutes; or
- is doing business directly or through an affiliate pursuant to a franchise, license, certificate, or other authorization issued by a political subdivision of the State or any agency thereof.

EFFECTIVE DATE: This act is effective when it becomes law and applies to contracts entered into on or after that date.