

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1989

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HOUSE BILL 572

Short Title: Discount Buying Clubs.

(Public)

Sponsors: Representative Blue.

Referred to: Commerce.

March 14, 1989

A BILL TO BE ENTITLED
AN ACT CONCERNING DISCOUNT BUYING CLUBS.

The General Assembly of North Carolina enacts:

Section 1. G.S. 66-132 reads as rewritten:

"§ 66-132. Contracts to be in writing.

(a) Every contract between a discount buying club and its customers shall be in writing, fully completed, dated and signed by all contracting parties. A copy of the completed contract shall be given to the buyer at the time he signs it. The contract shall in clear, conspicuous and simple language:

- (1) State the duration of the contract in a definite period of years or months. If the contract ~~calls for periodic renewal fees, may be periodically renewed, the contract shall state specifically the terms under which it may be renewed; and the amount of such any renewal fees must be stated.~~ stated unless the contract meets the requirements of subsection (b) of this section.
- (2) State that the buying club will maintain a trust account and bond in compliance with G.S. 66-135, and identify the location of the trust account and the name and address of the surety company.
- (3) Contain, immediately above the customer's signature in boldface type of not less than 10 points size, a statement substantially as follows:

'You, the customer, may cancel this contract at any time prior to midnight of the third business day after the date of this contract. To cancel you must notify the company in writing of your intent to cancel.'

- 1 (4) List the categories of goods and services the buying club contracts to
2 make available.
- 3 (5) State the procedures by which the customer can select, order, and pay
4 for merchandise or services and state the time and manner of delivery.
- 5 (6) State the method the discount buying club will use in setting the price
6 customers will pay for goods or services.
- 7 (7) List any charges, however denominated, which are incidental to the
8 purchase of goods or services and which must be paid by the customer.
- 9 (8) State the discount buying club's obligations with respect to warranties
10 on goods or services ordered.
- 11 (9) State the customer's rights and obligations with respect to the
12 cancellation or return of ordered goods.

13 (b) The written contract required by subsection (a) above need not be signed or
14 dated by the customer if the following requirements are met:

- 15 (1) The total consideration paid by each member or customer does not
16 exceed a one-time or annual fee of one hundred dollars (\$100.00);
- 17 (2) The member or customer has the unconditional right to cancel the
18 contract at any time and receive within 10 days a full refund of the
19 one-time membership fee, or the annual membership fee covering the
20 current membership period, whichever the case may be;
- 21 (3) Instead of the notice required in subsection (a)(3), above, the written
22 contract contains on its first page in boldface type of not less than 10
23 points size, or not less than the point size of the contract terms or
24 information printed immediately adjacent thereto, whichever point size
25 shall be larger, a statement substantially as follows:
26 'You, the customer, may cancel this contract at any time and
27 receive a total refund of any fees or consideration already paid
28 for the current membership period. To cancel you must notify
29 the company in writing of your intent to cancel.'; and
- 30 (4) The written contract is mailed to the buyer on or before the date the
31 membership is first charged or billed."

32 Sec. 2. G.S. 66-135(b) reads as rewritten:

33 "(b) Every discount buying club shall hold advance payments for goods and
34 services in trust in a separate account used solely for that purpose. The funds in such
35 account shall be held free from all liens. Records of such account shall be kept by the
36 buying club in the regular course of its business sufficient to identify the amount held
37 for each customer, the dates of the receipt and withdrawal of funds, and the purpose of
38 withdrawal. Such records must be retained for a period not less than four years
39 following withdrawal. Funds may not be withdrawn from the trust account unless and
40 until (i) the ordered goods have been actually delivered to the customer or consigned to
41 a certified public carrier, or (ii) ordered services have been provided in full, or (iii) the
42 buying club has refunded the customer's payment. Provided, the discount buying club
43 shall not be required to comply with the foregoing trust account requirements if the
44 discount buying club bills its customers through a credit card account and obtains and

- 1 maintains an additional bond in the amount of fifty thousand dollars (\$50,000) from a
2 surety company licensed to do business in North Carolina."
3 Sec. 3. This act is effective upon ratification.