

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007

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SENATE BILL 527
Commerce, Small Business and Entrepreneurship Committee Substitute Adopted
5/17/07

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

Sponsors:

Referred to:

March 6, 2007

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.

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, leases, or offers to sell or lease, 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 or contract offer.

(b) Any person, firm, or corporation engaged in commerce that sells, leases, or offers to sell or lease, any products or services to a consumer pursuant to a contract, where the contract automatically renews unless the consumer cancels the contract, shall disclose clearly and conspicuously how to cancel the contract in the initial contract, contract offer, or with delivery of products or services.

(c) A person, firm, or corporation that fails to comply with the requirements of this section is in violation of this section unless the person, firm, or corporation demonstrates that all of the following are its routine business practice:

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

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

(3) Where an error has caused the failure to comply with this section, it provides a full refund or credit for all amounts billed to or paid by the consumer from the date of the renewal until the date of the termination

1 of the contract, or the date of the subsequent notice of renewal,
2 whichever occurs first.

3 (d) This section does not apply to banks, trust companies, savings and loan
4 associations, savings banks, or credit unions licensed or organized under the laws of any
5 state or the United States, or any foreign bank maintaining a branch or agency licensed
6 under the laws of any state of the United States, or any subsidiary or affiliate thereof.

7 (e) A violation of this section renders the automatic renewal clause void and
8 unenforceable."

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