

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

House Bill 952
Economic Matters

(Delegate Gilleland, *et al.*)

Consumer Protection - Automatic Contract Renewal - Notice

This bill provides that a contract for consumer services between a merchant and a consumer may only contain a provision for automatic renewal if the merchant notifies the consumer of the renewal as specified under the bill. The merchant must include the required notice in the contract and may provide additional notice at least 30 days before the renewal. A consumer has the right to refuse to renew a contract with an automatic renewal provision by providing notice to the merchant before the renewal occurs. An automatic renewal in violation of the bill may be voided by the consumer at the consumer's option. A penalty provision for early cancellation contained in a contract renewed in violation of the bill is void and unenforceable against the consumer.

Violation of the bill is an unfair or deceptive trade practice under the Maryland Consumer Protection Act.

Fiscal Summary

State Effect: Assuming that the Consumer Protection Division receives fewer than 50 complaints per year stemming from this bill, any additional workload could be handled with existing resources.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: Generally, renewals of contracts for consumer services are not specifically regulated by statute.

The Consumer Protection Division within the Office of the Attorney General is responsible for pursuing unfair or deceptive trade practice claims under the Maryland Consumer Protection Act. Upon receiving a complaint, the division must determine whether there are “reasonable grounds” to believe that a violation of the Act has occurred. Generally, if the division does find reasonable grounds that a violation has occurred, the division must seek to conciliate the complaint. The division may also issue cease and desist orders, or seek action in court, including an injunction or civil damages, to enforce the Act. Violators of the Act are subject to: (1) civil penalties of \$1,000 for the first violation and \$5,000 for subsequent violations; and (2) criminal sanction as a misdemeanor, with a fine of up to \$1,000 and/or up to one year’s imprisonment.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Office of the Attorney General (Consumer Protection Division),
Department of Legislative Services

Fiscal Note History: First Reader - March 3, 2005
mp/jr

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