

2010 -- S 2621 SUBSTITUTE A

LC02097/SUB A/2

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2010

A N A C T

RELATING TO BUSINESSES AND PROFESSIONS – DISCOUNT BUYING CLUBS

Introduced By: Senators Miller, Metts, Picard, Gallo, and Crowley

Date Introduced: March 04, 2010

Referred To: Senate Corporations

It is enacted by the General Assembly as follows:

1 SECTION 1. Title 5 of the General Laws entitled "BUSINESSES AND PROFESSIONS"
2 is hereby amended by adding thereto the following chapter:

3 CHAPTER 85

4 DISCOUNT BUYING CLUBS

5 **5-85-1. Definitions.** – (a) "Discount buying club" means any person, firm or corporation,
6 which, in exchange for valuable consideration, offers to sell or to arrange the sale of goods or
7 services to its customers at prices represented to be lower than are generally available.

8 (b) "Discount buying club" shall not include any cooperative buying association or other
9 group in which no person is intended to profit or actually profits beyond the benefit that all
10 members receive from buying at a discount; nor shall any person, firm or corporation be deemed
11 a "discount buying club" solely by virtue of the fact that:

12 (1) For fifty dollars (\$50.00) or less it sells tickets or coupons valid for use in obtaining
13 goods or services from a retail merchant; or

14 (2) As a service collateral to its principal business, and for no additional charge, it
15 arranges for its members or customers to purchase or lease directly from particular merchants at a
16 specified discount.

17 (c) "Discount buying club" shall not include any person, firm or corporation who charges
18 an advance month by month fee for access to service, or member benefits, and allows the buyer to
19 terminate membership by notifying the person, firm or corporation of intent to terminate

1 membership without further obligation to make additional payments.

2 **5-85-2. Contract requirements.** – (a) Every contract between a discount buying club
3 and its customers shall be in writing, completely filled out, dated and signed by all contracting
4 parties. A copy of the completed contract shall be given to the buyer at the time he or she signs it.
5 The contract shall, in clear, conspicuous and simple language:

6 (1) State the duration of the contract in a definite period of years or months. If the
7 contract may be periodically renewed, the contract shall state specifically the terms under which
8 it may be renewed and the amount of any renewal fees must be stated unless the contract meets
9 the requirements of subsection (b) of this section.

10 (2) Contain, immediately above the customer’s signature in boldface type of not less than
11 a ten (10) point size, a statement substantially as follows: “You, the customer, may cancel this
12 contract at any time prior to midnight of the third (3rd) business day after the date of this contract.
13 To cancel you must notify the company in writing of your intent to cancel.”

14 (3) List the categories of goods and services the buying club contracts to make available.

15 (4) State the procedures by which the customer can select, order and pay for merchandise
16 or services and provide information regarding estimated delivery dates and the manner of
17 delivery of products; and

18 (5) State the discount buying club’s obligations with respect to warranties on goods or
19 services ordered.

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

22 (1) The total consideration paid by each member or customer does not exceed a one-time
23 or annual fee of one hundred fifty dollars (\$150) or less; or

24 (2) The member or customer has the unconditional right to cancel the contract at any time
25 and receive within ten (10) days a full refund of the one-time membership fee, or the annual
26 membership fee covering the current membership period, whichever the case may be.

27 **5-85-3. Customer’s right to cancel.** – Each contract for a discount buying club
28 membership shall provide that such contract may be cancelled at anytime up until midnight of the
29 third (3rd) business day after the date of receipt by the buyer of a copy of the written contract, by
30 written notice, delivered by certified or registered United States mail to the seller at an address
31 which shall be specified in the contract. For purposes of this chapter, business days exclude
32 Sundays, and any holiday on which regular mail deliveries are not made.

33 **5-85-4. Prohibited acts.** – Discount buying clubs shall not:

34 (1) Discourage or refuse to allow a potential customer to inspect any of their current

1 merchandise catalogs and price lists during the formal prescheduled information session at their
2 place of business.

3 (2) Refuse to refund or exchange a good that does not conform to the customer's order.

4 **5-85-5. Violations.** – A violation of any of the provisions in this chapter shall constitute
5 an unfair or deceptive act or practice as defined in chapters 6-13 and 6-13.1.

6 SECTION 2. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO BUSINESSES AND PROFESSIONS -- DISCOUNT BUYING CLUBS

1 This act would define discount buying clubs and would provide certain contract
2 requirements and a three (3) day right of rescission for those who become members of buying
3 clubs and enter into contracts for goods.

4 This act would take effect upon passage.

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