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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2010

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A N A C T

RELATING TO BUSINESSES AND PROFESSIONS – DISCOUNT BUYING CLUBS

Introduced By: Representatives Kennedy, San Bento, Marcello, Pacheco, and Carter

Date Introduced: February 25, 2010

Referred To: House 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 84

4 DISCOUNT BUYING CLUBS

5 **5-84-1. Definitions.** – (a) “Discount Buying Club” is any person, firm or corporation,
6 which, in exchange for any 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 **5-84-2. Contract requirements.** – (a) Every contract between a discount buying club
18 and its customers shall be in writing, fully completed, dated and signed by all contracting parties.
19 A copy of the completed contract shall be given to the buyer at the time he or she signs it. The

1 contract shall, in clear, conspicuous and simple language:

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

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

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

11 (4) State the procedures by which the customer can select, order and pay for merchandise
12 or services and state the time and manner of delivery.

13 (5) State the method the discount buying club will use in setting the price customers will
14 pay for goods or services.

15 (6) State the discount buying club’s obligations with respect to warranties on goods or
16 services ordered.

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

19 (1) The total consideration paid by each member or customer does not exceed a one-time
20 or annual fee of one hundred dollars (\$100) or less; or

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

24 **5-84-3. Customer’s right to cancel.** – (a) In addition to any other right to revoke an offer
25 or cancel a sale or contract, the customer has the right to cancel a contract for the services of a
26 discount buying club until midnight of the third (3rd) business day after the buyer signs a
27 contract.

28 (b) Cancellation occurs when the customer gives written notice of cancellation to the
29 discount buying club at the address stated in the contract.

30 (c) Notice of cancellation, if given by mail, is given when it is deposited in the United
31 States mail properly addressed with postage prepaid.

32 (d) Notice of cancellation need not take any particular form and is sufficient if it indicates
33 by any form of written expression that the customer intends or wishes not to be bound by the
34 contract.

1 (e) For purposes of this chapter, business days are all days other than Saturdays, Sundays,
2 holidays, and days on which the discount buying club is not open for business.

3 **5-84-4. Prohibited acts.** – Discount buying clubs shall not:

4 (a) Represent to any potential customer that his or her opportunity to join is limited in
5 time or that his or her delay in joining may subject him to an increased price. This shall not
6 preclude reference to a general price increase that will take effect on a specified date.

7 (b) Discourage or refuse to allow potential customer to inspect all of their current
8 merchandise catalogs and price lists during normal business hours at their place of business.

9 (c) Compare their prices for goods or services with other prices unless the comparison
10 prices are prices at which substantial sales of the same goods or services were made in the same
11 area within the past ninety (90) days, and unless a written copy of the comparison is given to the
12 buyer to keep.

13 (d) Fail upon the customer’s request to cancel without charge any purchase order for:

14 (1) Services, if such services have not been substantially performed;

15 (2) Goods to be specially manufactured, if such manufacture has not been substantially
16 performed; or

17 (3) Any other goods, if they have not been delivered to the customer or consigned to a
18 certified public carrier for delivery; within ninety (90) days after the purchase order was received
19 the buying club.

20 (4) Charge any amount in excess of demonstrable actual damages upon a customer’s
21 cancellation of an order.

22 **5-84-5. Violations.** – A violation of any of the provisions in this chapter shall constitute
23 an unfair or deceptive act or practice as defined in chapter 6-13.1.

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

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
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RELATING TO BUSINESSES AND PROFESSIONS -- DISCOUNT BUYING CLUBS

- 1 This act would provide contract requirements and a three (3) day right of rescission for
- 2 those who become members of buying clubs.
- 3 This act would take effect upon passage.

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