

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2007**

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**SENATE BILL 527**

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

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Sponsors: Senators Berger of Franklin; Clodfelter, Cowell, Kinnaird, and Snow.

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Referred to: Commerce, Small Business and Entrepreneurship.

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March 6, 2007

A BILL TO BE ENTITLED

1 AN ACT TO REQUIRE BUSINESSES THAT SELL PRODUCTS OR SERVICES TO  
2 CONSUMERS PURSUANT TO CONTRACTS THAT AUTOMATICALLY  
3 RENEW UNLESS THE CONSUMERS CANCEL THE CONTRACTS TO  
4 DISCLOSE THE RENEWAL CLAUSES AND, FOR CONTRACTS THAT  
5 AUTOMATICALLY RENEW FOR MORE THAN ONE MONTH, TO NOTIFY  
6 THE CONSUMERS IN WRITING PRIOR TO THE CANCELLATION  
7 DEADLINE IN THE AUTOMATIC RENEWAL CLAUSE.

8  
9 The General Assembly of North Carolina enacts:

10 **SECTION 1.** Article 1 of Chapter 75 of the General Statutes is amended by  
11 adding a new section to read:

12 **"§ 75-40. Contracts with automatic renewal clauses.**

13 (a) Any person, firm, or corporation engaged in commerce that sells or offers to  
14 sell any products or services to a consumer pursuant to a contract, where the contract  
15 automatically renews unless the consumer cancels the contract, shall disclose the  
16 automatic renewal clause clearly and conspicuously in the contract, including the  
17 cancellation procedure.

18 (b) Any person, firm, or corporation engaged in commerce that sells or offers to  
19 sell any products or services to a consumer pursuant to a contract, where the contract  
20 automatically renews for a specified term of more than one month unless the consumer  
21 cancels the contract, shall notify the consumer in writing of the automatic renewal no  
22 less than 30 days and no more than 60 days before the cancellation deadline as provided  
23 in the automatic renewal clause. The written notice under this subsection shall disclose  
24 clearly and conspicuously all of the following:

25 (1) That the contract will automatically renew, unless the consumer  
26 cancels the contract.

27 (2) Where the consumer can obtain details not contained in the contract's  
28 automatic renewal clause of the automatic renewal and the cancellation  
29 procedure.

1       (c)    A person, firm, or corporation that fails to comply with subsection (a) of this  
2 section or, for any contract that automatically renews for a specified term of more than  
3 one month, subsection (b) of this section is in violation of this section unless the person,  
4 firm, or corporation demonstrates that all of the following are its routine business  
5 practice:

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

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

9           (3)   Where an error has caused the failure to comply with this section, it  
10          provides a full refund or credit for all amounts billed to or paid by the  
11          consumer from the date of the renewal until the date of the termination  
12          of the contract, or the date of the subsequent notice of renewal,  
13          whichever occurs first.

14       (d)    A violation of this section is an unfair trade practice under G.S. 75-1.1."

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