

BILL ANALYSIS

C.S.H.B. 1702
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Business & Industry
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Many businesses lure customers into contracts by offering introductory incentives. Once the introductory period has expired, billing commences. Unless the customer calls to cancel, they may be charged for services even though they may never use or want the service.

C.S.H.B 1702 modifies certain service and subscription contracts to require notification before an automatic renewal, adds requirements of notification to the consumer by the seller regarding renewal of contract, sets forth exemptions, and sets forth provisions for the cancellation of automatic renewal of contracts by a consumer.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 1702 amends the Business & Commerce Code to add Chapter 51 to require notification by a seller to a consumer before an automatic renewal of certain contracts take effect. The bill sets forth what information is required to be disclosed in the written notice of automatic renewal. The bill sets forth provisions pertaining to which types of contracts the bill applies. The bill sets forth provisions pertaining to the cancellation of automatic renewal on contracts. The bill provides that a violation of the provisions of the bill is a false, misleading, or deceptive act or practice and any remedy under provisions for Deceptive Trade Practices is available for a violation of Chapter 51, Business & Commerce Code, as added by this Act.

C.S.H.B. 1702 defines the terms "automatic renewal clause", "consumer", and "seller". The bill provides that a change in law made by Chapter 51, Business & Commerce Code, as added by this applies only to a contract executed on or after September 1, 2007.

EFFECTIVE DATE

September 1, 2007.

COMPARISON OF ORIGINAL TO SUBSTITUTE

C.S.H.B. 1702 modifies the original bill by adding a requirement for notification to the consumer by the seller regarding renewal of contract if the price for goods or services under the contract as renewed is greater than the price of goods or services under the contract during the immediately preceding contract term. The bill provides that Chapter 51, Business & Commerce Code, as added by this Act, does not apply to insurance companies, health maintenance organizations, electric and gas utilities, telecommunications utilities, and contracts in which consumers pay only a prorated amount for the portion of the month before the consumer canceled the contract. The substitute adds the provision that a seller is required to allow a consumer to cancel the automatic renewal of a contract by contacting a facsimile number provided by the seller. The substitute adds the provision that the seller may assume that written notice deposited with the United States Postal Service with first-class postage paid will be received by the consumer on the third federal business day after the notice is so deposited.