

REVENUE: No revenue impact**FISCAL: No fiscal impact****Action:** Do Pass as Amended and Be Printed Engrossed**Vote:** 5 - 0 - 0**Yeas:** Bonamici, Boquist, George, Monroe, Shields**Nays:** 0**Exc.:** 0**Prepared By:** Patrick Brennan, Administrator**Meeting Dates:** 4/20

WHAT THE MEASURE DOES: Prohibits offers of automatic renewal or continuous service arrangements unless the offer complies with disclosure requirements. Prohibits charging a credit card or third party account of a consumer without first obtaining the consumer's affirmative consent to the offer. Requires acknowledgement that can be retained by the consumer that contains the terms of the offer and the cancellation policy. Declares violation to be an unlawful trade practice. Declares emergency, effective on passage.

ISSUES DISCUSSED:

- Provisions of the measure

EFFECT OF COMMITTEE AMENDMENT: Exempts consumer finance companies licensed under ORS 725 and persons that provide direct-to-home satellite services subject to regulation by the Federal Communications Commission.

BACKGROUND: Several types of consumer contracts typically use automatic renewal, including cellular phone service. Example include magazine subscriptions, cable television and magazine/newspaper subscriptions. The automatic renewal provisions of such contracts provide for automatic billing of the customer and continuation of the service. However, it can be unclear to the customer that affirmative action is needed to discontinue the contract; the procedure for discontinuing the contract can be unclear or onerous; and some customers who have had their contracts continued without their affirmative consent have faced aggressive collection efforts.

Oregon is one of 24 states that joined a suit by the State of Iowa in 2006 against Time Inc., the publisher of Time Magazine, for deceptive business practices involving automatic renewal of magazine subscriptions. Time was required to pay \$4.3 million to its customers and an additional \$4.5 million to the states as a result of the case.

Senate Bill 487-A makes it unlawful to offer automatic renewal or continuous service to an Oregon consumer that includes any of the following: fails to present the terms of automatic renewal; charges the consumer's credit card or payment account without first obtaining affirmative consent; fails to provide acknowledgement of the automatic renewal in a form that can be kept by the consumer (i.e. notification cannot be made solely by telephone). If such a contract is offered without meeting the stipulations in the measure, any goods, equipment or merchandise offered to the consumer as part of the arrangement are deemed an unconditional gift to the consumer.