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California Senate Oks Bill to Make it Easy to Cancel Automatic Renewals

SB 313 (Hertzberg) also requires businesses offering free samples to get separate authorization for auto-renewal payments, advance consumer notice of first charge

SACRAMENTO – Senate Bill 313 (Hertzberg, D-Van Nuys) sponsored by Consumer Federation of California, won approval by the State Senate on a bipartisan 34-4 vote.

“SB 313 promotes fairness by ensuring consumers know what they are agreeing to when they get an initial freebie, and are not given the run-around if they try to cancel a subscription that they don’t want,” said Richard Holober, Executive Director of the Consumer Federation of California.

SB 313 addresses widespread consumer complaints against businesses that offer a free sample or reduced price trial offer for a product or service, followed by an automatic renewal and a credit card charge or withdrawal from a consumer’s bank account. Far too often, the process of cancelling a subscription is cumbersome and frustrating. The open period to cancel may be months or years after the consumer signed up, the method for cancelling is difficult to utilize, and the consumer may end up on lengthy phone calls with company representatives whose only purpose is to persuade the consumer to relent, and not to accede to the cancellation request.

“Consumers need to know what they are buying and under what terms, and what they need to do to cancel the arrangement,” Senator Herzberg said. “This legislation requires transparency. It makes clear that consumers must directly authorize any renewal of service with a charge, and that businesses must make cancelling it easy to do.”

SB 313 would require that after a consumer signs up for a free or reduced price offer, any credit card or debit card authorization occurs through a separate stand-alone form and approval, that the company provide a notice three to seven days before the first automatic renewal occurs, and that the company make it as easy to cancel as it was to sign up for the free sample.

While current law says the terms of trial offers and automatic renewals must be conspicuously posted on websites or communicated directly to consumers, canceling the service can be difficult to do. The Consumer Federation of California has received numerous complaints from Californians unhappy with free or reduced price offers that turned into “gotcha” contracts that extracted money from credit card or bank accounts for unwanted products, often without a

renewal notice or an obvious way to cancel before being charged for the renewal. Complaints cover a wide range of automatically renewing subscriptions, including cosmetics, weight loss products, magazines, anti-virus programs, credit monitoring, gym memberships, online dating services and cookware.

In recent years, consumer complaints regarding automatic service renewals have triggered numerous lawsuits, including class-action lawsuits filed against Hulu, Dropbox, Proactiv, and Spotify. While current law says the terms of trial offers and automatic renewals must be conspicuously posted on websites or communicated directly to consumers, canceling the service can be difficult to do.

SB 313 heads to the State Assembly for consideration in the next several weeks.