

2009-2010 Regular Sessions

I N S E N A T E

January 18, 2009

Introduced by Sen. KRUGER -- read twice and ordered printed, and when printed to be committed to the Committee on Consumer Protection

AN ACT to amend the general business law, in relation to extending the time for termination of membership in a private club

THE PEOPLE OF THE STATE OF NEW YORK, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

1 Section 1. Section 624 of the general business law, as added by chap-
2 ter 630 of the laws of 1978, is amended to read as follows:
3 S 624. Rights of cancellation of contracts for services. 1. Every
4 contract for services at a planned health club or a health club under
5 construction shall, at the option of the buyer, be voidable in the event
6 that the health club and the services to be provided pursuant to such
7 contract are not available within one year from the date the contract is
8 executed by the buyer.
9 2. Every contract for services shall provide that such contract may
10 be cancelled within [three] FOURTEEN business days after the date of
11 receipt by the buyer of a copy of the written contract. Notice of
12 cancellation shall be delivered by certified or registered United States
13 mail at the address specified in the contract. Such contract shall
14 contain the following written notice in at least ten point bold type:
15 [CONSUMERS] BUYER'S RIGHT TO CANCELLATION. YOU MAY CANCEL THIS CONTRACT
16 WITHOUT ANY PENALTY OR FURTHER OBLIGATION WITHIN [THREE (3)] FOURTEEN
17 (14) DAYS FROM THIS DATE Notice of cancellation shall be in
18 writing subscribed by the buyer and mailed by registered or certified
19 United States mail to the seller at the address specified in such form.
20 Such notice shall be accompanied by the contract forms, membership cards
21 and any other documents or evidence of membership previously delivered
22 to the buyer. All moneys paid pursuant to such contract shall be
23 refunded within fifteen business days of receipt of such notice of
24 cancellation. If the buyer has executed any credit or loan agreement to

EXPLANATION--Matter in ITALICS (underscored) is new; matter in brackets [] is old law to be omitted.

1 pay for all or part of health club services, any such negotiable instru-
2 ment executed by the buyer shall also be returned within fifteen days.

3 2-A. IF AN AUTOMATIC RENEWAL CLAUSE IS INCLUDED IN ANY CONTRACT, THE
4 BUYER OR HIS OR HER ESTATE MAY CANCEL SUCH AUTOMATIC RENEWAL BY GIVING
5 NOTICE OF SUCH CANCELLATION IN WRITING SUBSCRIBED BY THE BUYER AND
6 MAILED BY REGISTERED OR CERTIFIED UNITED STATES MAIL TO THE SELLER AT
7 THE SELLER'S ADDRESS AT ANY TIME WITHIN THE SIXTY DAYS PRIOR TO THE TIME
8 WHEN SUCH AUTOMATIC RENEWAL WOULD TAKE EFFECT.

9 3. Every contract for services shall provide that after such [three]
10 FOURTEEN day period for cancellation as provided in subdivision two of
11 this section, the buyer's estate may cancel a contract for services if
12 the buyer dies. The buyer may also cancel, AS PROVIDED IN SUBDIVISION
13 TWO OF THIS SECTION, after [three] FOURTEEN days if the buyer becomes
14 significantly physically disabled for a period in excess of six months,
15 or moves his OR HER residence to a location more than twenty-five miles
16 from a health club operated by the seller, or after the services are no
17 longer available or substantially available as provided in the contract
18 because of the seller's permanent discontinuance of operation or
19 substantial change in operation. Nothing contained herein shall
20 restrict or prohibit the seller from offering or providing in such
21 contract additional or broader reasons for cancellation. The seller may
22 require reasonable evidence for a cancellation pursuant to this subdivi-
23 sion. Such contract shall contain the following notice captioned in at
24 least ten point bold type:

25 ADDITIONAL RIGHTS TO CANCELLATION:

26 You may also cancel this contract for any of the following reasons:

27 If upon a doctor's order, you cannot physically receive the services
28 because of significant physical disability for a period in excess of six
29 months.

30 If you die, your estate shall be relieved of any further obligation
31 for payment under the contract not then due and owing.

32 If you move your residence more than twenty-five miles from any health
33 club operated by seller.

34 If the services cease to be offered as stated in the contract.

35 YOU MAY CANCEL AN AUTOMATIC RENEWAL PROVISION IN YOUR MEMBERSHIP BY
36 GIVING NOTICE OF YOUR INTENT TO CANCEL THE AUTOMATIC RENEWAL IN WRITING
37 AND SUBSCRIBED BY YOU AND MAILED BY REGISTERED OR CERTIFIED MAIL TO THE
38 HEALTH CLUB AT THE ADDRESS SPECIFIED IN THE CONTRACT. SUCH WRITTEN
39 NOTICE MUST BE RECEIVED BY THE HEALTH CLUB ON OR BEFORE THE AUTOMATIC
40 RENEWAL DATE INDICATED IN YOUR CONTRACT.

41 All moneys paid pursuant to such contract cancelled for the reasons
42 contained in this subdivision shall be refunded within fifteen days of
43 receipt of such notice of cancellation; provided however that the seller
44 may retain the expenses incurred and the portion of the total price
45 representing the services used or completed, and further provided that
46 the seller may demand the reasonable cost of goods and services which
47 the buyer has consumed or wishes to retain after cancellation of the
48 contract. In no instance shall the seller demand more than the full
49 contract price from the buyer. If the buyer has executed any credit or
50 loan agreement to pay for all or part of health club services, any such
51 negotiable instrument executed by the buyer shall also be returned with-
52 in fifteen days.

53 S 2. Section 625 of the general business law, as added by chapter 630
54 of the laws of 1978, is amended to read as follows:

55 S 625. Assignment of contracts for services. 1. No assignee who takes
56 a note or other obligation as consideration for a contract containing

1 the disclosure requirements of section six hundred twenty-four of this
2 article shall fail to honor the [consumer's] BUYER'S right of cancella-
3 tion as provided in this article.

4 2. No creditor holding a note or other obligation, to which a [consum-
5 er] BUYER has obligated himself OR HERSELF in order to purchase a
6 contract shall fail to honor the [consumer's] BUYER'S right of cancella-
7 tion under this article if:

8 (a) the creditor is a person related to the seller of services; or

9 (b) the seller prepares documents used in connection with the loan; or

10 (c) the creditor supplies forms to the seller used by the [consumer]
11 BUYER in obtaining the loan; or

12 (d) the creditor makes twenty or more loans in any calendar year, the
13 proceeds of which are used in transactions with the same seller or with
14 a person related to the same seller; or

15 (e) the [consumer] BUYER is referred to the creditor by the seller; or

16 (f) the creditor, directly or indirectly, pays the seller any consid-
17 eration whether or not it is in connection with the particular trans-
18 actions; or

19 (g) the creditor participated in or was connected with the sale.

20 3. No assignee of a contract shall fail to give notice of the assign-
21 ment to the [consumer] BUYER. A notice of assignment shall be in writ-
22 ing addressed to the [consumer] BUYER at the address shown on the
23 contract and shall identify the contract.

24 S 3. This act shall take effect on the thirtieth day after it shall
25 have become a law and shall apply to contracts then in force and those
26 entered into on or after such effective date.