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THE SENATE OF MARYLAND  
ANNAPOLIS, MARYLAND 21401

**Testimony in Support of SB1040 - SB1040 - Consumer Protection – Automatic Renewals**

Madame Chair, Madame Vice Chair, and Fellow Members of the Senate Finance Committee:

SB1040 would establish a regulatory framework to govern “automatic renewals,” which the bill defines as any contract, plan, or agreement between a consumer and a seller in which a paid subscription or purchasing agreement is automatically renewed at the end of a definite term for a subsequent term. Violation of the bill is an unfair, abusive, or deceptive trade practice under the Maryland Consumer Protection Act (MCPA), subject to civil and criminal penalty provisions.

**Why the Bill is Important**

In numerous instances consumers are exposed to unfair, abusive, or deceptive trade practices in which there is a subscription or purchasing agreement is renewed. While intentional or not, this bill looks to improve consumer knowledge, disclosure, and transparency of transaction involving subscriptions or purchasing agreement.

To provide some specific details, the following are included in the bill:

- Require that consumers are provided with the terms of the offer in a clear and conspicuous manner before the subscription or purchasing agreement is fulfilled and in visual proximity to, or in the case of an offer conveyed orally, at the same time as, the request for consent to the offer, include the price that will be charged after the initial term ends or the way the subscription or purchasing agreement will change at the end of the initial term.
- Present consumers with an easily accessible disclosure of the methods that the consumer may use to cancel the automatic renewal; and allow the consumer to terminate the offer in a manner that does not delay, hinder, or obstruct the consumer’s ability to terminate the automatic renewal. If the offer includes a free gift or trial, the offer must include a clear and conspicuous explanation of the price that will be charged after the trial ends and the manner in which the subscription or purchasing agreement pricing will change at the end of the trial.
- Updates provisions regarding if a person makes an automatic renewal offer online, especially as it pertains to communication and the mechanisms in which an individual can cancel their automatic renewal.

The Consumer Protection Division is responsible for enforcing the MCPA and investigating the complaints of aggrieved consumers. The division may attempt to conciliate the matter, issue a cease-and-desist order, or file a civil action in court. A merchant who violates MCPA is subject to a fine of up to \$10,000 for each violation and up to \$25,000 for each repetition of the same violation. In addition to any civil penalties that may be imposed, any person who violates MCPA is guilty of a misdemeanor and, on conviction, is subject to a fine of up to \$1,000 and/or imprisonment for up to one year.

SB1040 is very similar to legislation that are in effect in states such as Maine and California, so there are many retailers that are already following these same laws.

I have submitted amendments that clarifies that:

- The bill does not apply to month-to-month contracts.
- An entity covered by existing state or federal regulations on contract renewal procedures would not be subject to the bill.

Per the Fiscal Note, this bill will not require additional state resources. For these reasons, I respectfully request a favorable report on SB1040.