

Consumer Credit – Consumer Protection –

BBB – Consumer’s Rights on Canceling a Contract

Contrary to popular belief, few contracts can be canceled after they have been signed. Only certain very limited types of contracts can be canceled, within three business days after signing. When it is applicable under the law, this three-day cancellation or “cooling-off” period is designed to give you time to think about your decision and to compare the prices and quality of competing products.

What contracts can be canceled within three business days?

A contract *may* be canceled if:

- It involves the sale, lease or rental of goods or services for personal, family or household use; and
- It is a written agreement between two or more parties, listing all details of the agreement and signed by all parties; and
- The commitment totals \$25.00 or more, including interest, mailing charges and any other charges related to the agreement; *and*
- It was entered into at a place that is not the regular place of business of the merchant, such as your home, a consumer product party, a seminar sales program or a hotel room; some exceptions apply.

What contracts cannot be canceled within three business days?

The three-day cancellation right does *not* apply if the contract was:

- ◆ Entered into at the merchant’s regular place of business (for example, a retail store, new car dealership or used car lot), a craft fair, or a vehicle auction or tent sale; or
- ◆ Previously negotiated at the merchant’s regular place of business; or
- ◆ Made entirely by mail or telephone; or
- ◆ For less than \$25.00; or
- ◆ For real estate, insurance or securities; or
- ◆ For emergency home repairs; or
- ◆ For home improvement loans or any contract where your home is used as collateral or a security deposit.

If a contract qualifies as cancelable, how must this be disclosed to me?

At the time the contract is signed, the salesperson must orally explain your right to cancel the contract and must give you:

1. A fully completed receipt or a copy of the contract (written in the same language as used in the sales presentation) stating the date of the sale and the merchant's name and address. The contract or receipt should state in ten-point bold type that it can be canceled before midnight on the third business day after the transaction took place. This information should be located near the place where you sign your name on the contract, or on the front page of the receipt if no contract was used.
2. Two copies of the Notice of Cancellation, the form which you send to the company if you decide to cancel the contract. The seller must fill in the date the sale was completed, the name of the merchant, the address to which you would send the cancellation notice, and the deadline for canceling the contract. The notice must also include a full explanation of your right to cancel and what you must do to cancel.

How do I cancel a contract?

Review the contract to confirm that the three-day cancellation period has not passed. Do not include Sundays or national holidays when counting the three days from the date of your signature.

To cancel the contract, sign and date both copies of the Notice of Cancellation and either mail or hand-deliver *one* copy to the merchant by midnight of the third business day after signing the contract. Keep the second copy for your records. Since you may need to prove that the cancellation notice was sent on time, you should use certified mail (return receipt requested) so that you will have the receipt as proof. If the notice is hand-delivered, be sure to get a signed and dated receipt. You are not required to state a reason for canceling the contract.

Instead of using the Notice of Cancellation form, you also have the option of canceling the contract by sending a letter or telegram to the company within three days. Again, keep a record of when and where you mailed or delivered the notice letter. If the merchant failed to provide a Notice of Cancellation form, you may cancel at any time; however, once you receive the Notice form from the merchant, you only have three business days in which to cancel.

You have the right to cancel the contract if the cancellation period has not expired, even if the merchant has provided goods or begun the agreed-upon work. In this case, the merchant is not entitled to any compensation.

What happens after the contract is canceled?

The merchant is entitled to reclaim any goods delivered to you under the contract, and you must make them available for pickup. The merchant is responsible for all expenses associated with the return of the goods. However, if you fail to make the goods available to the merchant or fail to return the goods after you promised to do so, you must pay all obligations under the canceled contract.

Within ten days after receiving the proper notice of cancellation, the merchant must:

1. Refund your money.

2. Cancel and return to you any papers that you signed.
3. Arrange for the return of the product and return to you any trade-in you may have given as part of the sale.
4. Notify you whether any shipped or delivered goods will be repossessed or abandoned.

Within 20 days after receiving proper notice of the cancellation, the merchant must:

1. Pick up any merchandise you have, or it is yours to keep without any further obligation.
2. Reimburse you for any mailing costs incurred to return the products.

Extended membership cancellation period

The Georgia Fair Business Practices Act (FBPA) allows a longer cancellation or cooling-off period for the following consumer transactions:

- ◆ *Campground or marine memberships* can be canceled up to 5:00 PM of the seventh day after a contract is signed. A separate Notice to the Buyer, describing the cancellation procedure, must be furnished at the time of purchase. Any money paid by the buyer must be returned within 30 days.
- ◆ *Health spa or fitness center memberships* can be canceled up to 12:00 midnight of the seventh day after a contract is signed.

Each contract must contain a paragraph explaining your cancellation rights in detail. If you have used the contracted services during this seven-day period, you are still entitled to a partial refund, which you should receive within 30 days.

What should I do if I feel that a merchant violated my right to a cooling-off period?

If you believe, *based on the criteria outlined above*, that you should have been allowed a three-day right of cancellation of a contract you entered into, you may report your experience to the BBB at BBB.org or the Federal Trade Commission.

If the contract was for a campground or fitness center membership and you were denied an opportunity to cancel within seven days, in violation of the FBPA, please inform the [Governor's Office of Consumer Affairs](#).

Consumer Tips

- Take time to decide whether you really want or need a product or service before agreeing to make a purchase.
- Do not be pressured into making a quick decision.
- Never sign a contract just to get rid of a persistent salesperson.
- Always read the entire contract before signing.
- Have all oral promises written into the contract.
- Cross out or fill in any blank spaces.

- Make all checks or money orders payable to the merchant, not the salesperson.
- Make sure your copy of the contract is the same as the merchant's.
- Do not be embarrassed to cancel a covered contract or afraid to complain if you are not satisfied.