

BUYING CLUBS

Buying clubs (sometimes also called buying plans) often promise free or deeply discounted products. Once you've signed up, they send you products automatically until you cancel. Some clubs charge you a monthly fee in exchange for the right to buy products at supposedly discounted prices. Before you sign up for a buying club, research the company, look for other people's experiences, compare prices with those of other retailers, and read the terms of the offer. Consider whether you're likely to save any money buying through the club, or just get products you neither want nor need.

WHAT IS A BUYING CLUB?

No, we're not talking about warehouse stores you join to buy products in bulk.

Buying clubs are something you sign up for and "shop" at until you cancel. You might join by signing up for a free or discounted offer, like 10 free CDs or 5 books for \$1. Whether it's truly a deal is in the details.

There are three common types of buying clubs: one tells you when a product is coming; one doesn't tell you when a product is coming; and one charges you for membership automatically.

CLUBS THAT TELL YOU PRODUCTS ARE COMING

These clubs are a form of "opt out" shopping. You have to say no if you don't want to buy what the club is sending. If you don't reject the item, you get the product automatically.

The companies that operate this way need to follow some specific rules, spelled out in the FTC's Pre-Notification Negative Option Rule: they must have clear, prominent information in any promotional materials you use to enroll. A company must tell you:

- how many announcements and rejection forms you may get each year, and how often.
- that you will have at least 10 days to reject a product before the company ships it to you.
- if there's a minimum number of purchases required.
- that you can cancel your membership any time after you've made the minimum number of purchases.

SOUTH DAKOTA OFFICE OF ATTORNEY GENERAL

**CONSUMER
PROTECTION**

1302 E Hwy 14 Ste 3 • Pierre SD 57501   consumerhelp@state.sd.us

1-800-300-1986

This handout is for informational purposes and should not be construed as legal advice or as a policy of the South Dakota Attorney General. If you need advice on a particular issue, you should consult a private attorney or other experts.

WWW.CONSUMER.SD.GOV • 605-773-4400 • 1-800-300-1986

Two important things to remember:

- **You get at least 10 days to decide.** If you don't want the product, you must mail back the rejection form either by the *return date* (when the company must receive it) or by the *mailing date* (the date the form has to be mailed by). The company will tell you which date it uses. If you don't get at least 10 days before the product is shipped, you can return it for a full credit, and the club has to pay the return postage.
- **The company has four weeks to ship.** If you sign up for a special offer like "5 Books for \$1," the company has to ship your order within four weeks of receiving it or offer you an equivalent alternative. If you don't want the alternative introductory merchandise, you can cancel your membership, as long as you return the goods.

I WANT TO CANCEL

Some clubs require that you spend a certain amount of money on products at the club's regular prices before you can cancel your membership. They should tell you that from the beginning. If they don't, and you want to cancel your membership:

- **Send your request in writing.** The company has to cancel your membership promptly.
- **Return the first item that you received after the company had your written notice.** Consider any more unordered merchandise a gift. To avoid bills and collection notices, it's best to tell the company you're no longer a member each time you get unordered merchandise, and to send a copy of your cancellation letter.

CLUBS THAT DON'T TELL YOU PRODUCTS ARE COMING

These clubs are often called continuity clubs. There's no heads up before the merchandise is sent. You get the products or services automatically until you cancel your "membership."

Some continuity clubs have an "approval period" or "free trial" so you can try something out. If you keep the product or don't cancel the service before the free trial ends, you become a club member. Other clubs bill you for items — for example, flowers, books, movies, or software — when you get them. If you use your credit card when you enroll, the company may charge your card each time they send something.

CLUBS THAT CHARGE MEMBERSHIP FEES

In a third type of buying club, the monthly membership charge is automatic. Your fee gives you the ability to get what the club describes as discounts.

Some people have told the FTC that they didn't know they were enrolled in this type of club until they noticed charges on their debit or credit card statements. They *thought* they were paying a \$1.99 shipping fee for a free trial. Actually, they were agreeing to be enrolled in a club that would continue to charge them, regardless of the purchases they made. Read "Free" Trial Offers? for more.

HOW TO DECIDE

Before you join a buying club:

- **Research the company online.** Search the club and company name, with words like “complaint” or “review.” Complaints can tip you off to questionable practices. But just because you don’t find complaints, it doesn’t mean the club doesn’t have problems.
- **Don’t skip the fine print.** Find the terms for the offer. Know your obligations before you join. If you aren’t sure exactly what you’re agreeing to, don’t sign up. That includes offers online, on TV, in the newspaper, or on the radio. If the offer comes via telephone, ask the caller to repeat anything you don’t understand, and write down the important information, including the number for customer service. Call it to test it out. If no one answers or calls you back, don’t join.
- **Be honest with yourself.** Think about whether you’re likely to stay on top of forms and reject products you don’t want. If you join, follow the instructions on the forms.
- **Compare costs.** The introductory merchandise or the promise of some great deals might sound appealing, but what about the products you have to buy at the club’s regular prices? How do the prices compare? How about after shipping and your monthly fees?
- **Keep copies of documents.** That includes documents that explain the terms of the club, which may come with the introductory shipment, and the rejection forms you return to the seller. It’s also a good idea to document the date you mailed the rejection forms.
- **Look for free trials and pre-checked boxes.** Sometimes, dishonest companies use free trials to enroll you in a buying club. When you sign up online, you may see a box already checked that gives the company the okay to continue the offer beyond the free trial — or to sign you up to buy more products unless you uncheck it.
- **Mark your calendar.** Write down important dates, so you don’t miss the chance to turn down or return merchandise you’re not interested in and don’t want to pay for.
- **Read your credit and debit card statements.** It’s the only way you’ll know if you’re being charged incorrectly.

If you would like help finding out more information on a particular company, feel free to contact the Attorney General’s Office, Division of Consumer Protection www.consumer.sd.gov or 1-800-300-1986.