



PREVENTIVE LAW SERIES
**CONTRACTS &
CONSUMER SCAMS**



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A contract is a legally enforceable agreement that obligates you to do something, entitles you to something, or both. Most contracts you enter into are binding, and once you sign you are stuck with the deal as it is written down on paper. There are a number of individuals and companies around the country pressuring service members into binding contracts that are not good deals.

BEFORE SIGNING A CONTRACT

1. Read the entire contract.
2. Make sure you understand EVERY term in the contract before signing it. If you don't understand something, do not sign the contract before speaking to someone, preferably a legal assistance attorney or someone professionally knowledgeable in the contract subject matter. A Legal Assistance Attorney can explain contract terms to you. If the person or company will not let you take a copy of the contract, you are potentially being ripped off and should consider walking away from the deal.
3. Make sure everything you are agreeing to is WRITTEN IN THE CONTRACT. Verbal agreements not written in the signed contract may be unenforceable or more difficult to enforce.
4. Make sure there are no large, gaping spaces in the contract so as to prevent a party from adding in terms after you have already signed the contract.
5. Before signing the contract, think about the deal. There is almost never a time when a deal must be signed immediately or it is gone - any pressure to sign right away is a red flag for a scam.

TYPES OF CONTRACTS OF WHICH TO BE WARY

There are several companies who aggressively pursue service members. Representatives of these companies engage in high-pressure sales tactics to get you to sign a contract before you have had time to think it over. Even if it is not a rip-off, you may not need the product or service being offered or you may be unable to afford it. Some of the more frequent contracts you should be suspicious of are for goods and services such as:

- Educational materials
- Used car dealerships
- Vacuum cleaners
- Timeshares
- Purchasing services or club memberships (for example, a legal assistance service)

Often you will be offered a free gift if you are willing to listen to a sales pitch. After the pitch, you will be pressured into signing a contract immediately. **DO NOT DO THIS.** Always wait a day or two to make sure the product is something you really need and can afford.

MOST CONTRACTS DO NOT HAVE A COOLING-OFF PERIOD

A cooling-off period is a period of time, usually one to three days, during which a person may cancel a contract and owe nothing. **MOST CONTRACTS DO NOT HAVE A COOLING-OFF PERIOD.** However, federal regulations allow a consumer until midnight on the third business day after the contract is signed to cancel the following contracts:

- Door-to-door sales of personal, family, or household goods or services for more than \$25.00. 16 C.F.R. § 429.1; 32 C.F.R. § 552.63.
- Sales made anywhere other than the seller's normal place of business such as a hotel, restaurant, outdoor exhibit, computer show, or trade show. 16 C.F.R. § 429.1; 32 C.F.R. § 552.63.

Automobile sales, catalog sales, and sales initiated by the consumer are usually NOT given a three-day cooling-off period. Where a cooling-off period does apply, the sales representative must orally inform you of the three-day cooling-off period at the time of the sale. Failure to inform you of this right extends the cooling-off period until you are informed of your cancellation right. The seller must also furnish you, at the time of the sale, two copies of a form usually entitled NOTICE OF CANCELLATION or NOTICE OF RIGHT TO CANCEL containing the address to which the form must be sent. Your right to cancel is extended until you are provided with this form. You must use the form or write a letter to provide the seller with written notice of your intent to cancel the contract. 16 C.F.R. § 429.1.

OTHER CONTRACTS YOU CAN CANCEL IN CALIFORNIA:

- Dance studio lessons (but you must pay for lessons received). As long as you provide written notice to the studio of your desire to cancel classes, then contract may be cancelled. Any refund amounts must be on a pro rata basis, calculating for the classes already taken. Cal. Civ. Code § 1812.54.
- Dating service contracts can be cancelled within three days if written notice is given to the service provider. All moneys paid must be refunded within 10 days of receipt of the notice of cancellation. Cal. Civ. Code § 1694.1.
- Contracts with prepaid job-listing firms, if at least three employment opportunities are not supplied to the jobseeker. The job listing service must refund any amount over \$25 if the jobseeker does not obtain a job, or if employment lasts less than 90 days. Cal. Civ. Code § 1812.518.
- Contracts for seller-assisted marketing plans, within three days. Cal. Civ. Code § 1812.208.
- Seminar sales, within three days. Cal. Civ. Code § 1689.21.
- Contracts for weight loss, within three days. Even if the buyer cancels payment on this contract within the three day termination period, the buyer is still required to notify the seller in writing of contract cancellation. Cal. Civ. Code § 1694.6.
- Home equity sales contracts, within five days or until 8:00 a.m. of the day of the scheduled sale, whichever comes first. Cal. Civ. Code § 1695.4.
- Home solicitation contracts may be canceled in writing within three days. Cal. Civ. Code § 1689.6.
- Home solicitation contracts for personal emergency response units, within seven days. Cal. Civ. Code § 1694.6.
- Certain home repair contracts if damage was caused by disaster, within seven days. Cal. Civ. Code §§ 1689.13, 1689.14.

LEGAL ASSISTANCE SERVICES AVAILABLE AT 32ND STREET AND NASNI

A legal assistance attorney is available by appointment Monday through Thursday from 0900 - 1100 and 1245 - 1445, and Friday from 0900 - 1100. Powers of attorney and notaries are available Monday through Friday at the same times. For more information, please contact the Legal Assistance Office, located in Building 56, Naval Base San Diego, by telephone at (619) 556-2211, or our office at Naval Air Station North Island – Coronado, Building 318 – Second Deck, above the Fleet and Family Support Center, Saufley Road, by telephone at (619) 545-6437.

RESOURCES:

Legal Assistance Handout #25

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WARNING: PROVIDED FOR INFORMATIONAL PURPOSES ONLY AND NOT INTENDED TO BE TAKEN AS SPECIFIC LEGAL ADVICE. FOR LEGAL ADVICE IN A PARTICULAR SITUATION, ALWAYS CONSULT WITH AN ATTORNEY.

California Department of Consumer Affairs: (800) 952-5210; www.dca.ca.gov

Better Business Bureau San Diego Field Office: (858) 496-213; www.sandiego.bbb.org

State of California Office of the Attorney General: <http://oag.ca.gov/consumers>

Federal Trade Commission: (877) FTC-HELP; www.consumer.ftc.gov/features/feature-0009-military-families

- Consumer Information: www.consumer.ftc.gov; (877) FTC-HELP
- File a Consumer Complaint: www.ftccomplaintassistant.gov

California Civil Code §§ 1689 et seq., 1812 et seq. (2013)

Solicitation on Military Reservations, 32 C.F.R. §§ 552.98–552.104 (2013)