

HB 21-1239 FAQ Sheet

Protections for Consumers in Auto-Renewing Contracts



The Colorado Attorney General's Office receives hundreds of complaints from consumers deceived by contracts that automatically renew without a consumer's full knowledge or approval. Consumers report that the automatic renewal features of these contracts were not clearly disclosed and that they did not realize they would be billed beyond the initial contract term, or found it nearly impossible to cancel the contract once billing began.

To help address these and other concerns involving automatic renewing contracts or subscriptions, the Attorney General's Office worked with the Colorado General Assembly to enact House Bill 21-1239, which was signed into law in July 2021 and takes effect January 1, 2022.

WHAT IS AN AUTO-RENEWING CONTRACT?

It is any purchase or subscription agreement that automatically renews beyond the original term of the contract (for example, after a trial period or initial monthly or yearly term). Those automatic renewals may continue month-after-month or year-after-year until the contract is eventually cancelled.

HOW DOES THE NEW BILL AFFECT AUTO-RENEWAL CONTRACTS ?

Under the new house bill:

- The merchant must give "clear and conspicuous disclosure" of all important aspects of its auto-renewal contract **BEFORE** you commit to buy, which means that it is written and placed in a way that should be obvious to you. This includes the fact that the contract is auto-renewing, when the contract will auto-renew, the recurring charges you will have to pay, the length of the auto-renewing term, and any minimum payment obligations;
- Any automatic renewal period cannot be for a period longer than one year without your express written consent;
- **AFTER** your purchase, the merchant must provide a written acknowledgment that includes a simple, easy-to-use mechanism for cancelling the auto-renewing or subscription contract, such as an online link or button;
- If there is any significant change in your contract **DURING** your contract, the merchant must provide written notice of those changes; and
- **AT LEAST ONCE A YEAR**, the merchant must provide notice that you are paying into an auto-renewing contract or subscription and when you will be billed for the service. This notice must also provide clear and accurate information about how to cancel the contract.

DO THESE NEW LAWS APPLY TO EVERY AUTO-RENEWING OR SUBSCRIPTION AGREEMENT?

No. There are certain highly regulated industries exempt from these new provisions, which includes public utilities, cable and telephone services, insurance companies, banks, credit unions, and airlines.