

RICHARD BLUMENTHAL
ATTORNEY GENERAL



55 Elm Street
P.O. Box 120
Hartford, CT 06141-0120

Office of The Attorney General
State of Connecticut

*TESTIMONY OF
ATTORNEY GENERAL RICHARD BLUMENTHAL
BEFORE THE BANKS COMMITTEE
FEBRUARY 21, 2008*

I appreciate the opportunity to speak in support of House Bill 5130, An Act Limiting the Use of Checks to Create Binding Agreements on Consumers.

This proposal requires marketers selling goods or services to obtain the consumer's signature on a separate, written document. This document must contain a plain language description of the goods or services to be purchased, the full cost of such goods or services and any other material terms or conditions. The document must also comply with state law concerning trial offers, introductory rates and automatic renewals if applicable to the contract.

Last year, my office settled consumer protection actions against several companies that sent checks to consumers for a small amount of money. In one marketing scheme, the solicitor joined with a bank to market certain discount clubs to the bank's customers. Many thought the checks were merely rebates from their bank. By cashing those checks, consumers unwittingly were enrolled in a program to purchase specific goods or services. Once enrolled, the consumers were billed either through monthly or annual billings on their credit card or phone bill or through automatic deduction from their checking account which many consumers did not immediately notice.

I received hundreds of complaints from consumers across the state about such solicitations. Another fourteen states also received complaints and participated in this settlement that provided for \$14.5 million in restitution and payments. The state of Connecticut alone received more than \$1.1 million and the average restitution for Connecticut consumers was \$125.

House Bill 5130 will ensure that consumers are well-aware of the goods or services they are purchasing and the actual costs before they sign an agreement. This legislation prohibits the mere cashing of a check as creating a binding contract.

I urge the committee's favorable consideration of House Bill 5130.