

When do consumers have a 3-day right to cancel a contract or purchase?



There has been much confusion about contracts and the three-day right of rescission law, commonly referred to as the “cooling off period.”

Many consumers are under the impression that these laws apply to any and all consumer purchases. However, this is not true. The right of rescission law applies only to very specific situations. The three day right of rescission law applies to sales made at facilities other than the seller’s place of business. Such locations may be the consumers residence and areas rented on a temporary or short-term basis, such as hotel rooms or convention centers.

There are several exceptions to the law . There is no three-day right of recision for goods or services purchased for less than \$25, or for the purchase of insurance and farm equipment. Other exceptions are real estate purchases of less than \$100 made at a place other than the merchant’s place of business, a sale involving an attorney or broker, and sales made pursuant to prior negotiations at the merchant’s business establishment, where the sale is the result of those

negotiations. Finally, the law does not apply to sales conducted entirely by mail or telephone, with no other contact between the buyer and seller.

Under the law, the salesperson must tell you about your cancellation rights at the time of sale. The salesperson also must give you two copies of a cancellation form, one to keep and one to send, and a copy of your contract or receipt. The contract or receipt should be dated, show the name and address of the seller, and explain your right to cancel.

If the salesperson provided you with the right forms, to cancel the sale you may simply sign the one titled “notice of cancellation,” date it, and mail it back to the seller. To obtain a full refund, you must do this before midnight of the third business day after the sale. Keep a copy of the form.

If the salesperson did not provide a cancellation form, you may still cancel your contract. Because the seller violated the law by not providing the form, you have extra time. But remember, you must cancel in writing. Be sure to keep a copy of the contract and your letter notifying the seller of the cancellation. It is a good idea to get this done as soon as possible.

We have also received inquiries from consumers who speak languages other than English. The law provides

protection for these consumers as well. The receipt or contract and notice of the right to cancel must be written in the same language principally used in the sales presentation. For example, if buyer and seller spoke Spanish during the sale, the receipt or the contract must also be in Spanish.

If you decide to cancel, the seller has ten business days to refund your money, return any note you may have signed concerning the sale, and return any trade-in items. The seller of the goods must notify you within ten days whether he or she intends to retrieve the goods or abandon them. He or she may not require you to mail or ship the goods back.

If the seller fails to notify you of his or her intention to repossess the goods within 20 days of cancellation, you may not be forced to return the goods at a later date. You are not obligated to return goods to the seller until you have recovered either your money or your note.

If you are unsure or concerned about signing a contract, you should consult with a private attorney before you sign it.

POINTS TO REMEMBER

Three Day Right of Rescission

- The three day right of rescission does not apply to all consumer transactions
- Cosigners will be held liable for contracts
- Consult with an attorney before you sign a contract if you have questions

For a copy of the Chapter 39, Cancellation of Certain Consumer Transactions of Texas Business and Commerce Code:

Texas State Law Library
Post Office Box 12367
Austin, TX 78711
(512) 463-1722
www.sll.state.tx.us

For information on federal cooling off laws:

Consumer Response Center
Federal Trade Commission
600 Pennsylvania Ave. NW
Washington, DC 20580
877-FTC-HELP (382-4357)
www.ftc.gov

For assistance in locating a private attorney contact the State Bar of Texas at (800) 252-9690 or www.state.bar.com



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Information on this and other topics is available on the Attorney General’s Web site at www.oag.state.tx.us.