



HOUSE OF REPRESENTATIVES  
COMMONWEALTH OF PENNSYLVANIA

MEMO

March 30, 1976

**SUBJECT:** HB 2171 (PN 2853) - Future Personal Services Contract

**TO:** Honorable C. L. Schmitt, Chairman  
Consumer Protection Committee

**FROM:** Marvin J. Mundel, Research Counsel

I. Purpose of the Bill

HB 2171 regulates contracts for future personal services. This bill applies to dance studios, martial arts instruction, many dating services, or any physical or nonphysical course of self-improvement or development of talent. This area would be supervised by the Attorney General.

II. People Affected by the Bill

Providers of future personal services as defined in this bill would be regulated. Their contracts would be required to conform to the provisions of this bill. There would be a time restriction of three years. The amount would be restricted to \$500. The maximum amount of prepayment would be \$150. A minimum bond of \$10,000 for each business location would be required. There would be a rescission period five days after execution of the contract. The seller is entitled to a pro-rata amount for services rendered. Buyer can rescind for permanent disability or relocation more than 25 miles from the provider of future personal services, but the seller is entitled to a pro-rata amount. If the buyer rescinds after a five day period for reasons other than permanent disability or relocation, the seller is entitled to a pro-rata amount plus a maximum of 10% of the outstanding balance. In this connection, the buyer is entitled to a moratorium in the event of temporary disability. The consumer is protected by the contract limitations, notice services and bond requirements against either dishonest or financially irresponsible studios. Furthermore, an aggrieved buyer has the right to bring a private action and may recover treble damages and attorney's fees.

III. Local Governmental Units Affected

The local District Attorney or solicitor of any county or city of the first or second class may seek an injunction to restrain prohibited acts. Further, such

local officials may petition for civil penalties. The District Attorney or solicitor may petition for forfeiture of franchise or right to do business under Section 28 for any offender which violates either the term of the injunction or the financial responsibility sections.

#### IV. Enforcement

The Attorney General is charged with the primary duty to enforce this act. He may promulgate regulations under Section 22. He may set the amount of the pre-opening bond in Section 13, 14, and 15. Under Section 23 he may seek an injunction to restrain prohibited acts, and under Section 24, he may accept an assurance of voluntary compliance from any offender. Together with the local District Attorney or solicitor, he may petition in the name of the Commonwealth for civil penalties of \$5,000 for violation of an injunction or assurance of voluntary compliance, or a civil penalty of \$1,000 per violation for willful violation or violation of the financial responsibility sections. He may petition for forfeiture of franchise or right to do business or any offender which violates either the terms of the injunction or the financial responsibility sections.

#### V. Relationship With Other Bills

This bill is considered a companion bill to HB 2170 (PN 2954), the Health Spa Bill.

#### VI. Supporting and Opposing Organizations

HB 2171 is supported by the Dance Masters of Pennsylvania and opposed by Arthur Murray Studios.

#### VII. Administration Support

The administration supports the bill.

### BACKGROUND

#### Pros

1. Bonding provisions are necessary because of financially irresponsible dance studios. The bond is necessary for protection against financially irresponsible sellers.
2. Contract restrictions are necessary to prevent against high pressure salespersons who routinely sell long-term and expensive contracts.
3. There have been many abuses in the area of prepayment.
4. A notice of the buyers' rights and written notice of options would be required.

Cons

## 1. Bond too expensive

Rebuttal - A minimum of \$10,000 is not unreasonably high, especially when protection is necessary for the consumer.

## 2. Time and money limits are unduly restrictive.

Rebuttal - These are very important protections for the consumer and are a legitimate exercise of police power to prevent widespread abuses.

## 3. Prepayment restrictions too high

Rebuttal - On the contrary, if the maximum present contract is \$500, \$150 is a substantial portion of that.

## 4. Written options and notices in the contract are too impractical.

Rebuttal - On the contrary, the future services provider can easily place the notice of consumers' rights and notices in the contract.