

# What is the Purpose of the “Cancellation” Language on Retail Customer Purchase Forms?



The language on the front and back of a retail customer product form is FTC mandated statutory language for person-to-person sales away from a fixed place of business, of goods or services for household use, of more than \$25. It is inapplicable to mail order or internet sales, but can be used at the discretion of the seller.

It is not a refund or return policy. Rather, it is designated as a right to rescind a contract or order. It is often referred to as the “Cooling Off Rule,” which is intended to address any high pressure tactics in person-to-person sales and to offer an “out” to “buyer’s remorse.” The notice of cancellation gives the purchaser three days to cancel the transaction, and if they have taken possession, then they must return the goods to the seller. It is a transaction by transaction right of cancellation. It does not apply to previous transactions. Since the language is

FTC statutory, companies should stick with the language.

Most companies go far beyond the three day right of cancellation, and further offer customers a 30 days customer satisfaction policy in which the customer has 30 days to notify the company that they are not satisfied and return merchandise for a complete refund. This is not statutorily mandated. It is just good business!

In actuality, it is rare to ever see anyone exercise the three day cooling off opportunity, or for that matter, a 30 day refund offer. And if they do return merchandise, it is often just destroyed for safety purposes. The fact is that there is a de minimis return percentage makes it so any customer satisfaction policy just looks good and is good customer relations.

And, if it may provide comfort to companies, it is rare that direct selling companies have seen any regulatory challenge on this compliance issue.

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