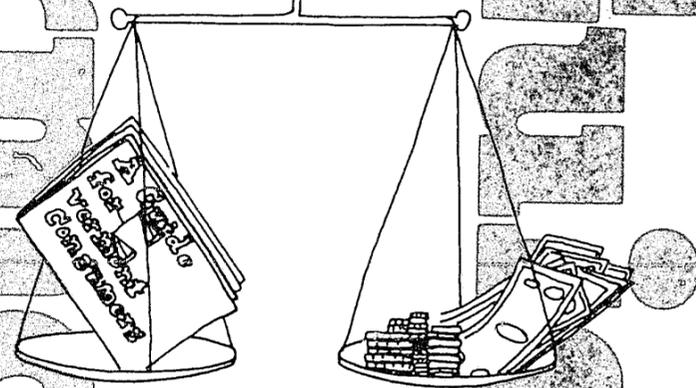


CONSUMER

PROTECTION



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An Ounce of Protection

Protection

U.S. Department of Justice
National Institute of Justice

76324

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An Ounce of Protection

**A Guide for
Vermont Consumers**

**Office of the Attorney General
Consumer Protection Division
Pavilion Building
Montpelier, Vermont 05602**

May 1978

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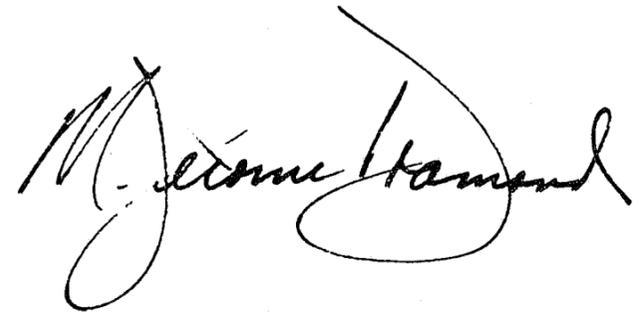
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Preface

Consumer education is a vital part of any meaningful consumer protection program. Although there will always be a need for effective enforcement of the laws governing the marketplace, well-informed consumers who are aware of their rights and responsibilities under the law can better protect themselves from abuses in that marketplace. The purpose of this booklet is to provide you with the information necessary to do just that.

An Ounce of Protection is a guide to the most important state and federal laws and regulations governing business practices. The fact that many of them have been enacted recently indicates the very important upswing in consumer protection activities in the past few years. This booklet also contains information about the Consumer Protection Division of the Attorney General's Office, including a description of the services it provides on behalf of Vermont consumers. Finally, it lists numerous state and federal agencies and other organizations with jurisdiction in specific areas. Feel free to call these groups (many have toll-free lines) or write for information that may enable you to avoid problems or help you with those you have already encountered.

I hope you will read this publication, keep it handy, and go back to it from time-to-time.



M. Jerome Diamond
Attorney General

Acknowledgments

An Ounce of Protection was written by, and prepared under the direction of, Assistant Attorney General Jay I. Ashman. Editing and production were coordinated by Meg Gemson Ashman and LaRae H. Wales. The booklet was designed and illustrated by Kate Canfield; the cover was designed by Ann Peery.

Special thanks go to the following students of the University of Vermont who assisted in the preparation of the booklet:

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Recognition is made to the Federal Trade Commission for information on the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Fair Credit Billing Act, and warranties.

Vermont's Consumer Fraud Act outlaws "unfair methods of competition in commerce, and unfair or deceptive acts or practices in commerce." Because the terms "unfair" and "deceptive" are not defined in the Act, a court can declare unlawful any business act or practice that it finds has the capacity to deceive or is unethical or contrary to public policy, even though not specifically outlawed by statute. The Attorney General has issued regulations setting forth standards for certain business practices, and violation of a regulation constitutes consumer fraud. The two regulations most commonly violated are those relating to "bait advertising" and "deceptive pricing."

Bait Advertising

Bait advertising, sometimes called "bait and switch," is an attractive but insincere offer designed to lure customers to the store. Once he has "baited" you into the store, the seller will attempt to "switch" you to another, higher priced item.

How can you spot bait and switch?

Although in a sophisticated bait and switch scheme you may be unaware that you are being deceived, certain tactics should alert you. For example, the seller might show you an item that looks nothing like the advertised item or that appears unattractive to you; this alone—with no further act on the part of the seller—might discourage you from buying the advertised item. Or the seller might actively attempt to discourage you from purchasing the advertised item by disparagement—pointing out faults with its quality, warranty, credit terms, availability of repair, or any other aspect. The most obvious indication of bait and switch is the salesperson's refusal to sell the advertised item.

Consumer Fraud

What if the advertised item is unavailable?

The most common bait advertising tactic is not having the advertised items in the store. The law requires sellers to have available "a sufficient quantity of the advertised goods or services at the advertised price to meet reasonably anticipated demands." If the seller runs out of an advertised item at any point during the advertised sale period, he must provide a raincheck. However, issuing a raincheck does not necessarily excuse the failure to have the item in stock. Unless the seller can show the unavailability was caused by events beyond his control, such as exceptionally heavy demand, a breakdown in delivery, or a strike, he has violated the law. The *only* way a seller can be excused from this requirement is by stating in the advertisement the approximate number of goods available.

One final point: Unless a seller conspicuously states in his advertisement that he is limiting the quantity per customer of an item, he cannot refuse to sell whatever quantity of the item a customer wants, as long as the seller's supply holds out.

May we suggest...

If the seller tries to discourage you from buying an advertised item and attempts to sell you a higher priced item, leave the store. Very often people walk into a store intending to spend only a few dollars and wind up with a large bill (and perhaps even a contract financed over several years) not fully realizing what has happened until it is too late!

If the seller doesn't have an advertised item in stock, demand a raincheck. If the seller won't sell you the quantity of an item you want, and hasn't indicated limits in the advertisement, stand up for your rights!

Who can help you?

If you think you've encountered a bait advertisement, contact the Consumer Protection Division of the Vermont Attorney General's Office at once.

Deceptive Pricing

A common advertising technique is to compare the price or value of an item to a similar but supposedly more expensive item. For example, if a seller wishes to indicate that his prices are a bargain, he might compare his current selling price to another price: his former price, the retail price, a comparable value, or other miscellaneous price comparison. The purpose of Vermont's deceptive pricing regulation is to see that those comparisons are made to actual prices, not to fictional prices used solely to deceive you into thinking you are saving money.

What does "former price" mean?

A seller may compare his current prices to former prices—using terms such as "sale" or "reduced to"—only if he actually recently sold the item at the former price for a substantial time during the course of his regular business. To use such words as "sale," the seller must reduce his prices by at least 10%, unless he specifies in the advertisement both the actual former price and the current sale price, or clearly specifies by how much the actual former price is reduced.

What does "manufacturer's suggested retail price" mean?

Many sellers compare their prices to the "manufacturer's suggested retail price." This is the price at which a substantial number of the item supposedly is or has been sold by the seller or other stores in the area. If this isn't the case, then the law prohibits the seller from comparing his prices to the "manufacturer's suggested retail price."



May we suggest...

Many catalog sales companies list two prices—the actual selling price and a “reference” price. Many people assume that this reference price is either the former price or the suggested retail price. But as the catalogs themselves point out, these prices are only guides to the range of selling prices available in the marketplace. These reference prices admittedly do not represent prevailing prices in your community. Do not assume, because the selling price is less than the reference price, that the item is on sale. Compare the selling price of that item with the price of the same item in other stores in your community to be sure you are paying the lowest price.

Who can help you?

If you believe you've discovered a case of deceptive pricing, contact the Consumer Protection Division of the Vermont Attorney General's Office.

Buying by mail can be convenient and for some may be the only means of purchasing many items. But next to automobile complaints, mail order complaints are the most common received by the Attorney General's Office. The usual problem is that the seller did not deliver the ordered merchandise.

What happens when your mail order doesn't come?

The Federal Trade Commission (FTC) has issued a regulation requiring a mail order firm to deliver merchandise by the advertised delivery date or, if there is no advertised date, within 30 days. If the seller fails to deliver within that period, he must notify you of a delay and give you both the option to cancel and the free means (such as a postage-paid card) to cancel. If you do not respond to the notice, the seller has an additional 30 days to make delivery. If the delay is to be greater than 30 days, the seller must have your written consent or refund your money. Once you cancel the order, the seller must refund your cash payment within 7 days or, if you have charged the purchase, credit your account within one billing period.

However, this regulation does not apply to mail order services such as photo finishing, magazine subscriptions (except for the initial order), nursery products and seeds, C.O.D. orders, and credit orders where the account is not charged before shipment of the merchandise.

Vermont's regulation, unlike the FTC rule, applies not only to goods purchased through the mail but also to any sale where you have paid any money in advance of delivery.

Under Vermont regulations, businesses that accept money from you for goods by mail, telephone, or other means must deliver the goods within 6 weeks unless you specifically agree in writing upon a later date. If they fail to deliver within the specified time, they must:

- make a refund; or
- advise you of the extent of the delay and offer to send you an immediate refund or deliver the goods when they are available, whichever you request; or

Buying by Mail

- furnish substitute goods of equivalent or superior value. If you choose this option, you may return the substitute goods and the seller must, within 14 days, refund your money, including all shipping costs.

Do you have to return an item you didn't order?

Under both state and federal law, if you receive merchandise in the mail that you did not order, you may consider it a gift and keep it without paying for it. It is illegal for the person or firm sending it to you to pressure you to return it or to send a bill for it.

What is a "negative option plan"?

A negative option plan is a sales technique used primarily by book clubs and record clubs. Members of these clubs sign a contract and agree to accept a minimum quantity of goods to be sent by the club. Contrary to the laws governing unsolicited merchandise, a book club, for example, may send its members a notice of an unsolicited book it would like to sell; and unless the members write back to the book club within a specified period stating that they do not want the book, they legally can be sent the book plus a bill. However, the FTC requires that users of negative options must notify you of an impending shipment and give you 10 days to mail your response. This FTC regulation further provides that you may cancel your membership at any time once you have purchased the minimum quantity required by the contract; and, except for the first shipment after your cancellation, all future shipments may be considered as gifts.

May we suggest...

Before plunging in to buying by mail, do some comparison shopping. If the merchandise is available locally, determine whether the cost of the mail order item is lower once you have taken into account the postage charges. Also consider the advantage of immediately picking up the item at the store and having the merchant nearby if problems should develop.

Find out if there is a guarantee for your mail order merchandise and read it carefully. If you have to return an item for a refund, who pays the postage? Check the records at the Consumer Protection Division of the Vermont Attorney General's Office to determine whether complaints of nondelivery have been received about the particular company you plan to do business with.

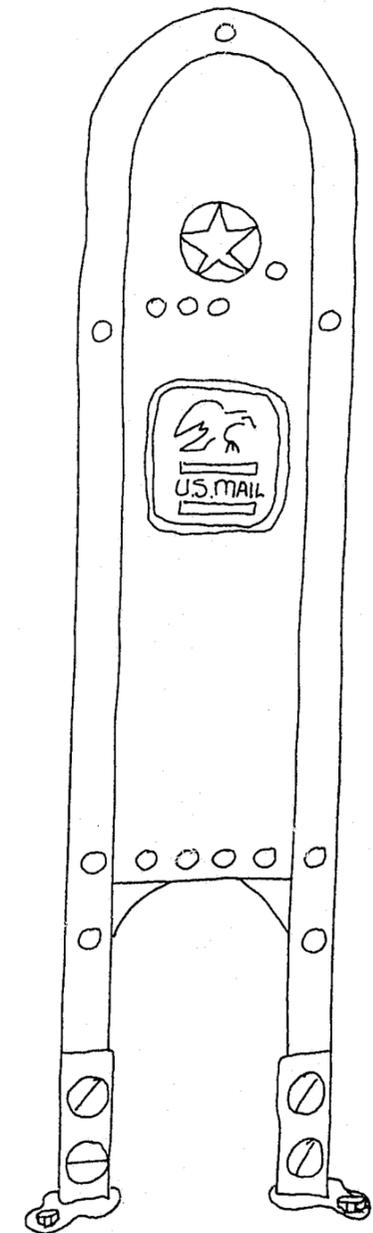
If you are going to order by mail, be sure to:

- mark your name and address clearly on the order form;
- keep a copy of your order form and any letters you send to the company;
- pay by check or money order so that you will have a record of the transaction and proof that you have paid; and
- check the order immediately when you receive it. If it is incomplete, damaged, or not exactly what you ordered, notify the company in writing and await a response before sending the item back.

If you receive what you think is unordered merchandise, make sure that it is not part of a negative option plan you may have entered into previously.

Who can help you?

If your letter to a mail order company does not bring a satisfactory response, contact the Consumer Protection Division of the Vermont Attorney General's Office. In addition, you may contact the Federal Trade Commission in Washington, D.C. And if you believe there may be fraud or misrepresentation, contact your local Postal Inspector or the Chief Postal Inspector.



Buying Door-To-Door

As in buying by mail, buying from a door-to-door salesperson can be convenient. But here again many problems might arise in such a transaction. Thus it is very important that you know the rights provided by the laws regulating door-to-door sales.

Both Vermont law and FTC regulations allow you to cancel a door-to-door transaction by midnight of the third business day after signing the contract. The 3 days do not include Saturdays, Sundays, and holidays. So if you sign a contract on Thursday, you have until Tuesday at midnight to cancel it.

What kinds of sales are covered by the law?

It is essential to know what is a door-to-door sale under Vermont law and what is not. A sale is generally covered by the law if it is for more than \$5 and if it is solicited or completed at your home or place of employment or at the seller's "transient quarters" (such as a hotel or motel room or other temporary business location). A sale is generally not covered by the law if you have previously visited the seller's place of business and negotiated the sale there, if you request the seller to come to your home and do repair work on your property (unless he sells you additional goods while there), or if everything is agreed upon by phone or mail before delivery of the goods.

A note on referral sales:

If the seller claims you are receiving a discount or bargain price in return for referring friends or neighbors to him, or if he claims he will deduct money from the price of an item for every individual in your neighborhood who purchases his product, be wary! This is known as referral selling and usually misrepresents the facts. Not only is it unlikely that you will get a price reduction for each sale to a neighbor, but your neighbors have probably been offered the same deal.

What are the salesperson's obligations?

Not only does the law give you the right to cancel a door-to-door sale, but it requires the seller to notify you both orally and in writing of that right. Written notification must be made as follows: The seller must give you a receipt or a copy of the contract containing the date of the transaction, the name and address of the seller, and—near your signature line—the following statement in bold type:

YOU, THE BUYER, MAY CANCEL THIS TRANSACTION AT ANY TIME PRIOR TO MIDNIGHT OF THE THIRD BUSINESS DAY AFTER THE DATE OF THIS TRANSACTION. SEE THE ATTACHED NOTICE OF CANCELLATION FOR AN EXPLANATION OF THIS RIGHT.

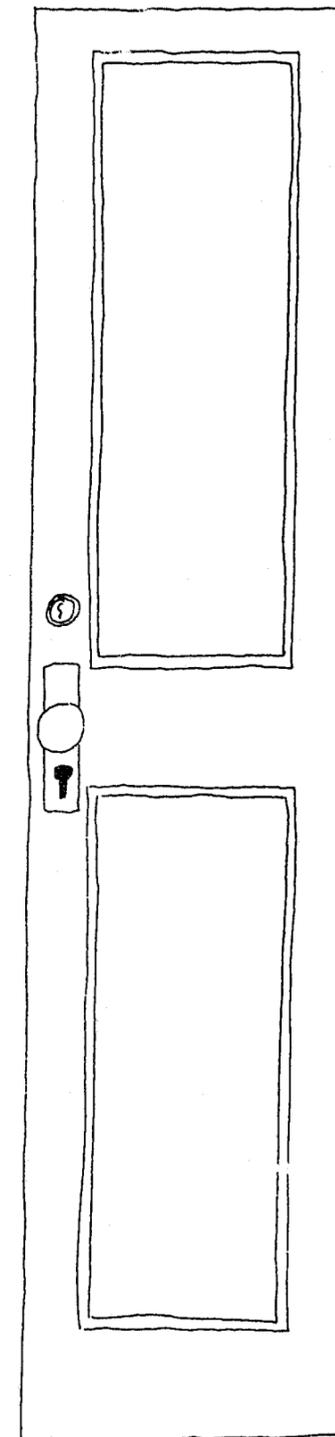
The notice of cancellation required to be attached must also be in bold type and state the following:

You may cancel this transaction, without any penalty or obligation, within three business days from the above date.

If you cancel, any property traded in, any payments made by you under the contract or sale, and any negotiable instrument executed by you will be returned within ten business days following receipt by the seller of your cancellation notice, and any security interest arising out of the transaction will be canceled.

If you cancel, you must make available to the seller at your residence, in substantially as good condition as when received, any goods delivered to you under this contract or sale; or you may, if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk.

If you do make the goods available to the seller and the seller does not pick them up within twenty days of the date of your notice of cancellation, you may retain or dispose of the goods without any further obligation. If you fail to make the goods available to the seller, or if you agree to return the goods to the seller and fail to do so, then you remain liable for performance of all obligations under the contract.



To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice, or send a telegram, to:

(Name of seller) at (Address of seller's place of business) not later than midnight of (Date).

I hereby cancel this transaction.
(Date) (Buyer's signature)

If the salesperson doesn't tell you of your right to cancel or provide the necessary written notice, the 3-day period does not begin until he does.

May we suggest...

- Resist buying on impulse. Consider whether the same products might be available locally and at a lower price. A reputable salesperson will give you a chance to do some comparison shopping and come back later.
- Don't sign anything until you've read it and fully understand it. If the document appears to place a lien or create a second mortgage on your home, be cautious.
- Get all the salesperson's promises in writing. If he refuses, watch out.
- Pay by check or money order so you'll have a record of payment.
- Be wary of claims that your neighbors have all signed contracts.
- If you do sign a contract and within 3 business days decide to cancel, you need only sign, date, and mail the notice of cancellation, postmarked no later than midnight of that third day. Send it by certified mail to prove when it was sent and that the seller received it.
- The seller must refund your money within 10 days of receipt of your notice and arrange to pick up any goods delivered to you at your residence within 20 days. If he does not meet both deadlines, the goods are yours to keep.

Who can help you?

If you have a problem arising from a door-to-door transaction, contact the Consumer Protection Division of the Vermont Attorney General's Office.

The use of credit is no longer a luxury in this country, but a necessity. Therefore you must be familiar with the key laws governing all aspects of credit transactions: credit granting (the Equal Credit Opportunity Act), credit reporting (the Fair Credit Reporting Act), billing practices (the Fair Credit Billing Act), and debt collection (the Fair Debt Collection Practices Act and Vermont regulations).

Credit Granting

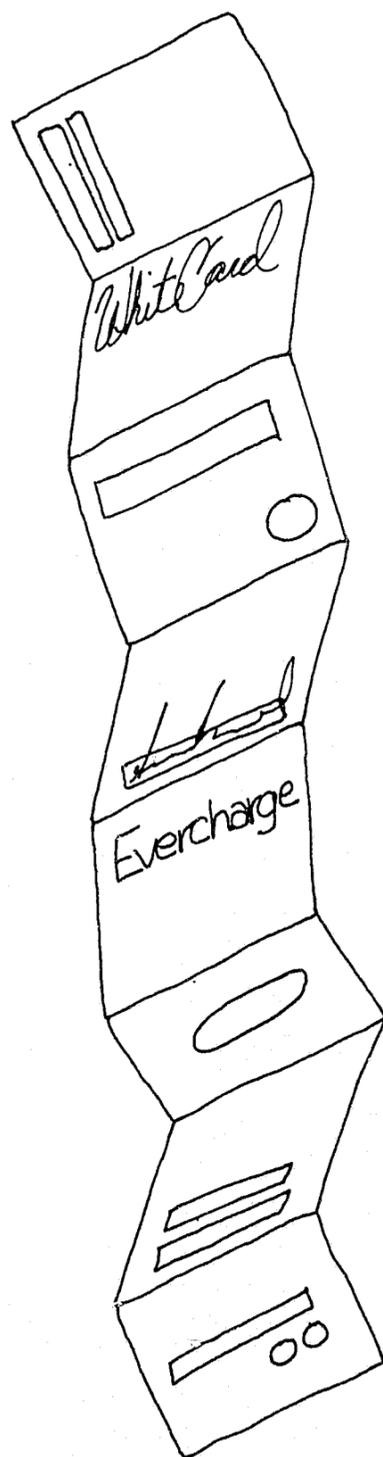
The Equal Credit Opportunity Act prohibits discrimination in any aspect of a credit transaction because of your sex, marital status, race, national origin, or age. This federal law, passed in 1975, also prohibits discrimination because you receive payments from a public assistance program. Banks, small loan and finance companies, retail and department stores, credit card companies, credit unions, and all creditors who regularly extend credit are covered by the Act.

How does the Act prevent a creditor from discriminating against you?

When you apply for credit...

- A creditor must not ask you what your sex, race, national origin, or religion is. (But a creditor may ask you to voluntarily disclose your sex, marital status, race, and national origin if you are applying for a real estate loan to purchase a residence. This information helps federal agencies enforce antidiscrimination laws. A creditor may also ask what your immigration or residence status is.)
- A creditor must not ask you what your marital status is if you apply for a separate, unsecured account. (A creditor may ask you whether you are "married," "unmarried," or "separated" if you apply for a joint account or an account secured by property.)
- A creditor must not ask you whether you are divorced or widowed.

Buying on Credit



- A creditor must not ask you for information about your spouse unless: 1) your spouse is applying with you; 2) your spouse will be allowed to use your account; 3) you are relying on your spouse's income or on alimony or child support income from a former spouse; or 4) you reside in one of the eight community-property states (Vermont is not a community-property state).
- A creditor must not ask you about your plans for having or raising children.
- A creditor must not ask you whether you receive alimony, child support, or separate maintenance payments unless the creditor first tells you that you do not have to disclose such income unless you want to rely on it to get credit. (A creditor may ask if you have to pay alimony, child support, or separate maintenance.)

In deciding whether to give you credit...

- A creditor must not consider your sex, marital status, race, national origin, or religion.
- A creditor must not consider your age unless:
 - you are too young to sign contracts (generally under 18),
 - you are 62 or over and the creditor—perhaps because he uses a statistically sound credit scoring system that favors older applicants—will favor you because of your age, or
 - the creditor uses your age to determine the meaning of other factors that are important to creditworthiness. For example, a creditor could consider your age to see if your income might be reduced because you are about to retire. But a creditor CANNOT deny your application or close your account because he is not able to get credit life insurance on you because of your age.
- A creditor must not consider whether you have a telephone listing in your name. (But a creditor may consider whether there is a telephone in your home.)
- A creditor must not consider the race of the people who live in the neighborhood where you want to buy or improve a house with borrowed money.

When evaluating your income...

- A creditor must not refuse to consider reliable public assistance income in the same manner as other income.
- A creditor must not discount income because of your sex or marital status. It is illegal, for example, for a creditor to count a man's salary at 100% and a woman's at 75%. Also, a creditor may not assume that a woman of child-bearing age will stop work to have or raise children.
- A creditor must not discount or refuse to consider income because it is derived from part-time employment or from a pension, annuity, or retirement benefit program.
- A creditor must not refuse to consider consistently received alimony, child support, or separate maintenance payments. A creditor may ask you for proof that this income has been consistently received, however.

A note on "credit scoring systems":

In a "credit scoring system," the creditor assigns different points to your answers to questions on the application. For example, owning a home might be worth 10 points while renting might be worth 5 points. The total number of points helps the creditor to decide if you are creditworthy.

What other rights does the Act guarantee?

- You also have the right:
- to have credit in your maiden name (Mary Smith), your first name and your husband's surname (Mary Jones), or your first name and a combined surname (Mary Smith-Jones);
 - to get credit without a co-signer, if you meet the creditor's standards;

- to have a co-signer other than your spouse, if a co-signer is necessary;
- to keep your own accounts after you change your name or marital status or reach a certain age or retire, unless the creditor has evidence you are unable or unwilling to repay; and
- to know whether your application was accepted or rejected within 30 days of filing it. If your application was rejected, you have the right to know why. The creditor must either immediately give you the specific reason(s) for the rejection or tell you that you have the right to the specific reasons if you make a request within 60 days. Examples of specific reasons are "Your income was too low" or "You haven't been employed at your job long enough." Indefinite and vague reasons such as "You didn't meet our minimum standards" or "You didn't receive enough points on our credit scoring system" do not comply with the law.

How can a woman establish a credit history in her own name?

A good "credit history" (a record of how you paid your bills in the past) is often necessary to obtain credit. Unfortunately, this hurts many married, separated, divorced, and widowed women. These women often do not have credit histories in their own names—even though they've used credit in the past—for two reasons: 1) women often lost their own credit histories when they married and changed their names, and 2) creditors typically reported the credit histories on accounts shared by married couples in the husband's name only.

To solve this problem, the Act provides that as of June 1, 1977, creditors who report histories to credit bureaus must report information on accounts shared by you and your spouse in both of your names. Some creditors will first send you a "Credit History for Married Persons Notice" asking you how you want the information reported. In addition, the Act requires that a creditor **MUST NOT**:

- use unfavorable information about an account you shared with your spouse or former spouse, if you can show that the bad credit rating does not

accurately reflect your willingness or ability to repay, nor

- refuse to consider on your request the credit history of any account held in your spouse or former spouse's name that you can show is an accurate picture of your willingness and ability to repay.

May we suggest...

If you are a woman—married, divorced, separated, or widowed—you should make a special point to call or visit your local credit bureau(s) to make sure that all relevant information normally carried by the credit bureau is in a credit file under your own name.

If you believe you have been discriminated against for any reason, let the creditor know you are aware of the law.

You can also report any violations to the appropriate government enforcement agency (see below). While the agencies use complaints to decide which companies to investigate, they cannot handle private cases. When you are denied credit, the creditor must give you the name and address of the appropriate agency to contact.

Who can help you?

- If a retail store, department store, small loan and finance company, gasoline credit card, travel and expense credit card, state chartered credit union, or governmental lending program is involved, write to the Federal Trade Commission; write "Equal Credit Opportunity" on the envelope.
- If a bank is involved, write to one of the agencies listed below:

If the bank is nationally chartered ("National" or "N.A." will appear in the bank's name), write to:

Comptroller of the Currency
Consumer Affairs Division
Washington, D.C. 20219

If the bank is state chartered and is a member of the Federal Reserve System, write to:

Board of Governors of the Federal Reserve System

Director, Division of Consumer Affairs
Washington, D.C. 20551

If the bank is state chartered and is insured by the Federal Deposit Insurance Corporation (FDIC) but is not a member of the Federal Reserve System, write to:

Federal Deposit Insurance Corporation
Office of Bank Customers Affairs
Washington, D.C. 20429

- If a federally chartered or federally insured savings and loan association is involved, write to:

Federal Home Loan Bank Board
Equal Credit Opportunity
Washington, D.C. 20552

- If a federally chartered credit union is involved, write to:

Federal Credit Union Administration
Division of Consumer Affairs
Washington, D.C. 20456

A note on credit bureaus:

A credit bureau, often called a credit reporting agency, is a business that collects, stores, and gives out information about a consumer's credit history. Credit bureaus do not make recommendations or decisions for the credit grantor, but supply factual information used by the credit grantor to determine if you are a good credit risk. Your credit history will indicate information such as how promptly you have paid your bills and whether you have been sued for a debt, filed bankruptcy, or had a tax lien recorded against you.

Credit Reporting

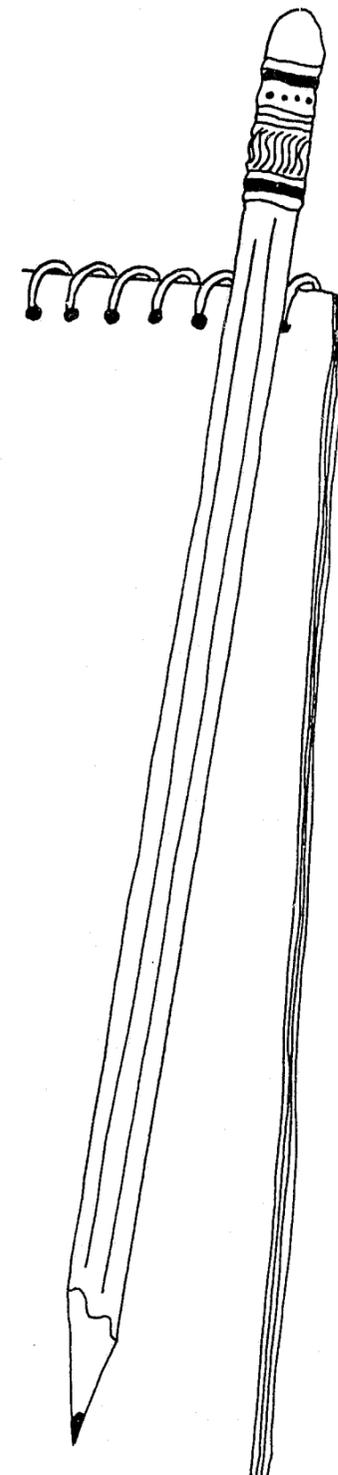
As the previous section pointed out, your credit history—as recorded by a credit bureau—is an important factor used by a creditor in determining whether to grant you credit. The Fair Credit Reporting Act, a federal law passed in 1971, is designed to insure that the information kept by a credit bureau and sold to creditors is accurate and up to date. The Act places certain obligations on users and issuers of credit reports and provides you with certain rights to assure that errors do not adversely affect your ability to obtain credit.

What can you do if you are denied credit?

If you are denied credit on the basis of a report by a credit bureau, the bank or store or other creditor must advise you of this fact and provide you with the name and address of the bureau that prepared the report. The bureau must review with you the information in your file and tell you the source of each piece of information. It must also tell you who has received a report on you within the preceding 6 months. You are entitled to this information free of charge if you have been denied credit, insurance, or employment within the previous 30 days. Otherwise, the bureau may charge a reasonable fee for providing the information.

You have the right to have what you consider incomplete or inaccurate credit reports reinvestigated by the credit bureau. If the information is found to be incomplete or inaccurate, it must be removed from your file and the bureau must notify those who received the incorrect information that it has been deleted from your file.

If a dispute arises between you and the bureau over the accuracy of certain information in your file, the bureau must allow you to file a statement with your version of the dispute, to be included in all future reports.



The Act requires the bureau to remove all adverse information—other than bankruptcies—after 7 years. Bankruptcy information must be removed after 14 years.

The Act does *not* permit you to:

- obtain a report on yourself,
- receive a copy or physically handle your file, or
- authorize any agency to intervene on your behalf.

May we suggest...

There are two ways to find out whether a credit bureau has a file on you: contact the credit department of any store with which you have credit and ask what credit bureaus it uses; or check the yellow pages of your phone book under "Credit" or "Credit Rating or Reporting Agencies." If the bureau has a file on you, you may inspect it for a small fee. If no history exists on you but you have been extended credit in the past, contact those creditors and ask that they send information to the bureau. Then ask the bureau to open a file on you.

If there is information on file concerning you, you should:

- learn the nature and substance of all the information in your file,
- find out the names of each of the businesses (or other sources) that supplied information on you to the reporting agency,
- learn the names of everyone who received reports on you within the past 6 months (or the last 2 years if the reports were for employment purposes),
- request the agency to reinvestigate and correct or delete information that was found to be inaccurate, incomplete, or obsolete,
- follow up to determine the results of the reinvestigation,
- ask the agency, at no cost to you, to notify those you name who received reports within the past 6 months (2 years if for employment purposes) that certain information was deleted,
- follow up to make sure that those named by you did in fact receive notices from the consumer reporting agency,

- demand that your version of the facts be placed in your file if the reinvestigation did not settle the dispute, and
- request that the agency (if you are willing to pay a reasonable fee) send your statement of the dispute to those you name who received reports containing the disputed information within the past 6 months (2 years if received for employment purposes).

Who can help you?

If you feel you've been given a bad credit rating unfairly, or believe any creditor or credit bureau is not complying with the Fair Credit Reporting Act, contact the Federal Trade Commission.

Billing Practices

Today more consumers than ever before are using credit cards, revolving charge accounts, and other kinds of revolving consumer credit. Occasionally, however, mistakes are made on the periodic billing statements for these credit accounts and consumers sometimes find that trying to get the mistakes corrected can be difficult and frustrating. Many of the mistakes are simply clerical or mechanical. To help consumers correct such errors, Congress passed the Fair Credit Billing Act, effective October 28, 1975, as an amendment to the Truth in Lending Act.

What does the Fair Credit Billing Act do?

The Act sets up a billing dispute settlement procedure that allows you, the customer, to question what you believe are billing errors on your periodic statement. The creditor must acknowledge your inquiry and promptly correct any errors or explain why he believes the statement is correct. In addition, the Act imposes certain other requirements on the creditor to ensure fair and prompt handling of your credit account.

What kinds of credit transactions does this Act apply to?

The Fair Credit Billing Act applies only to "open end" credit plans. For purposes of the Act, "open end" credit covers all consumer credit extended by use of a credit card as well as most other types of revolving credit, including department store charge accounts and line of credit plans such as overdraft checking. The Act does not apply to installment loans or purchases (such as cars or homes) that must be paid according to a set schedule of installments.

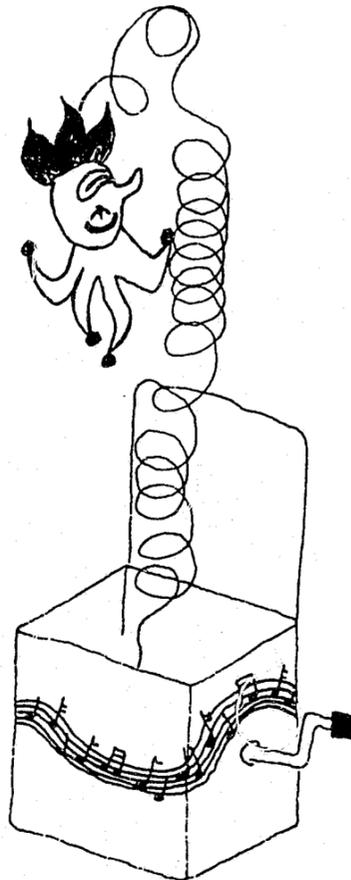
What does the Act's dispute settlement procedure cover?

The procedure applies only to disputes over "billing errors" on your periodic statement such as:

- charges you did not make or charges made by a person not allowed to use your account;
- charges billed with the wrong description, amount, or date;
- charges for property or services that you did not accept or that were not delivered as agreed;
- failure to credit your account for payments or for goods you have returned;
- accounting errors, such as arithmetic mistakes in computing finance charges;
- billings for which you request an explanation or written proof of purchase; and
- failure to mail or deliver a billing statement to your current address, provided you gave at least 10 days notice of any change of address.

Are disputes over poor service or faulty merchandise covered?

Disputes over the quality of goods or services you have received are not "billing errors" under the Fair Credit Billing Act and are not subject to the dispute procedure. But the Act does provide that if you purchase unsatisfactory goods or services on a credit card—even if the card was not issued by the seller (such as a bank credit card)—you can



withhold payment to the credit card company for that merchandise. While the Act doesn't help you settle this type of dispute, it at least allows you to hold onto your money while the dispute is being settled. The limitations of this right are described more fully in paragraph 7 of the Fair Credit Billing Act notice printed on page 23.

May we suggest...

The following notice, which must be given by open-end creditors to all new customers and to all customers every 6 months, explains how to dispute a bill. Be sure to follow these procedures.

IN CASE OF ERRORS OR INQUIRIES ABOUT YOUR BILL

The Federal Truth in Lending Act requires prompt correction of billing mistakes.

1. If you want to preserve your rights under the Act, here's what to do if you think your bill is wrong or if you need more information about an item on your bill:

a. Do not write on the bill. On a separate sheet of paper write (you may telephone your inquiry but doing so will not preserve your rights under the law) the following:

- i. Your name and account number (if any).
- ii. A description of the error and an explanation (to the extent you can explain) why you believe it is an error. If you only need more information, explain the item you are not sure about and, if you wish, ask for evidence of the charge such as a copy of the charge slip. Do not send in your copy of a sales slip or other document unless you have a duplicate copy for your records.
- iii. The dollar amount of the suspected error.
- iv. Any other information (such as your address) which you think will help the creditor to identify you or the reason for your complaint or inquiry.

b. Send your billing error notice to the address on your bill which is listed after the words: "Send Inquiries To:" or similar wording. Mail it as soon as you can, but in any case, early enough to reach the creditor within 60 days after the bill was mailed to you. If you have authorized your bank to automatically pay from your checking or

savings account any credit card bills from that bank, you can stop or reverse payment on any amount you think is wrong by mailing your notice so the creditor receives it within 16 days after the bill was sent to you. However, you do not have to meet this 16-day deadline to get the creditor to investigate your billing error claim.

2. The creditor must acknowledge all letters pointing out possible errors within 30 days of receipt, unless the creditor is able to correct your bill during that 30 days. Within 90 days after receiving your letter, the creditor must either correct the error or explain why the creditor believes the bill was correct. Once the creditor has explained the bill, the creditor has no further obligation to you even though you still believe there is an error, except as provided in paragraph 5 below.

3. After the creditor has been notified, neither the creditor nor an attorney nor a collection agency may send you collection letters or take other collection action with respect to the amount in dispute; but periodic statements may be sent to you, and the disputed amount can be applied against your credit limit. You cannot be threatened with damage to your credit rating or sued for the amount in question, nor can the disputed amount be reported to a credit bureau or to other creditors as delinquent until the creditor has answered your inquiry. However, you remain obligated to pay the parts of your bill not in dispute.

4. If it is determined that the creditor has made a mistake on your bill, you will not have to pay any finance charges on any disputed amount. If it turns out that the creditor has not made an error, you may have to pay finance charges on the amount in dispute, and you will have to make up any missed minimum or required payments on the disputed amount. Unless you have agreed that your bill was correct, the creditor must send you a written notification of what you owe; and if it is determined that the creditor did make a mistake in billing the disputed amount, you must be given the time to pay which you normally are given to pay undisputed amounts before any more finance charges or late payment charges on the disputed amount can be charged against you.

5. If the creditor's explanation does not satisfy you and you notify the creditor *in writing* within 10 days after you receive his explanation that you still refuse to pay the disputed amount, the creditor may report you to credit bureaus and other creditors and may pursue regular collection procedures. But the creditor must also report that you think you do not owe any money, and the creditor must let you know to whom such reports were made. Once the matter has been settled between you and the creditor, the creditor must notify those to whom the creditor reported you as delinquent of the subsequent resolution.

6. If the creditor does not follow these rules, the creditor is not allowed to collect the first \$50 of the disputed amount and finance charges, even if the bill turns out to be correct.

7. If you have a problem with property or services purchased with a credit card, you may have the right not to pay the remaining amount due on them, if you first try in good faith to return them or give the merchant a chance to correct the problem. There are two limitations on this right:

a. You must have bought them in your home state or if not within your home state within 100 miles of your current mailing address; and

b. The purchase price must have been more than \$50. However, these limitations do not apply if the merchant is owned or operated by the creditor, or if the creditor mailed you the advertisement for the property or services.

Who can help you?

If, after following the procedure set up by the Fair Credit Billing Act, your dispute remains unresolved, or if the creditor did not comply with the Act, contact the Federal Trade Commission or the Consumer Protection Division of the Vermont Attorney General's Office.

Debt Collection

If you have been extended credit and for some reason are unable to make all your payments as scheduled, you may very well find yourself being contacted by the creditor or a debt collector in an effort to collect back payments. The law does not prohibit reasonable attempts to collect debts. But both state and federal laws protect you from abusive debt collection practices.

What practices are prohibited under Vermont law?

The Vermont Attorney General's Office has issued regulations that prohibit specific debt collection practices by any business attempting to collect a debt, including banks, retail merchants, collection agencies, and attorneys. The prohibited practices generally fall into the following categories: threats, harassment, unreasonable publication, deceptive representation, and unconscionable means.

Threats

Debt collectors:

- must not use—or threaten—violence or other criminal means, and
- must not threaten that nonpayment will result in the arrest of any person or the seizure or sale of property or the attachment of wages without proper notice and a court order (except where permitted by law).

Harassment

The regulations prohibit harassment in general. In particular, debt collectors:

- must not use profane language;
- must not make telephone calls without disclosing the name of the company the collector represents;
- must not cause you expense in the form of collect phone calls, telegram fees, or other charges by misrepresenting the purpose of their contact;

- must not call you or otherwise contact you so frequently as to be unreasonable or at times when you are likely to be sleeping; and
- must not call you at work, if you have instructed the creditor or debt collector not to do this.

Unreasonable publication

The regulations prohibit a collector from notifying a third person about your debt. In particular, debt collectors:

- must not contact your employer (unless after a judgment has been entered or if to locate your whereabouts and no indication of a debt is made);
- must not contact any family member other than your spouse or your parents or guardian if you are a minor and reside in the same household (again unless after a judgment);
- must not inform any person other than those specified above of the existence of a debt; and
- must not use any other means of communication that would ordinarily be seen by any other person.

Deceptive representation

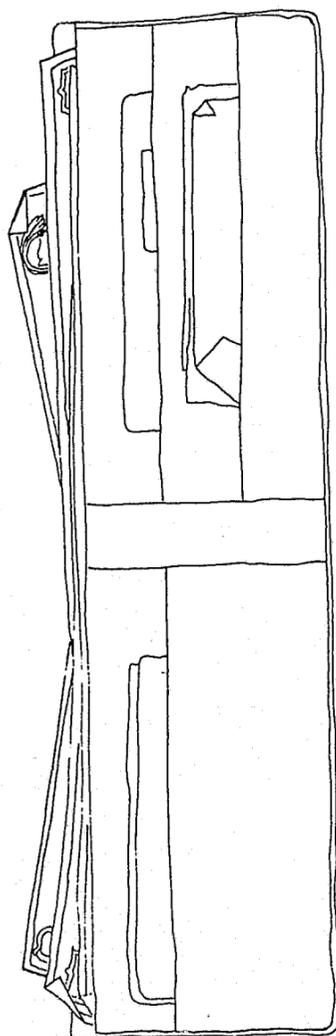
Debt collectors:

- must not use any business name other than the true name of the business;
- must not fail to disclose in all communications that they are attempting to collect a debt;
- must not falsely represent that they have information or something of value for you;
- must not falsely represent the status of the debt in a legal proceeding;
- must not falsely represent that the collector is associated with any state or federal agency; and
- must not use any document that simulates a government document.

Unconscionable means

Debt collectors:

- must not attempt to collect any or all of their fee unless allowed by law, and
- must not contact you, other than by sending a statement of account, once you notify the collector that you are represented by an attorney and wish all communications to be addressed to that attorney.



Does the Fair Debt Collection Practices Act add any other protection?

The Fair Debt Collection Practices Act, a federal statute effective March 1978, generally applies only to third-party debt collectors—that is, collection agencies that are collecting debts owed to another. Like the Vermont law, it prohibits abusive debt collection practices. But the Act provides you with certain additional rights and protection.

Unless circumstances indicate otherwise, the law assumes that it is inconvenient to call you before 8 a.m. and after 9 p.m. In addition, if you notify the debt collector in writing that you refuse to pay a debt or that you wish the debt collector to stop contacting you, the debt collector may not contact you further except:

- to advise you that he is ceasing debt collection efforts;
- to notify you that he may invoke specified remedies (such as a lawsuit or attachment of property) provided that he ordinarily invokes such remedies under these circumstances and the remedy is lawful; and
- to notify you of the specific remedy he intends to invoke.

A debt collector may not solicit a postdated check from you if he intends to use the check to threaten or institute criminal prosecution, and may not deposit or threaten to deposit a postdated check before the date of such check. Finally, the debt collector must send you a written notice containing the amount of the debt, the name of the creditor to whom the debt is owed, and the statement that unless you dispute the validity of the debt—or any portion of the debt—within 30 days of the notice, it will be assumed to be valid. In addition, the notice must state that if you notify a debt collector in writing, within the 30-day period that the debt is disputed, the debt collector must obtain verification of the debt and send a copy of the verification to you. And if you do request verification, the debt collector must stop contacting you until he obtains verification of the debt and sends it to you.

May we suggest...

If you find you cannot make full payments on your bills promptly, try to pay at least some portion of the amount on a regular basis. This will convince the creditor of your good faith and avoid having the bill turned over to a collection agency. If a debt is turned over to a collection agency or if the creditor contacts you concerning the debt, immediately state that you do not want to be called at work, if such is the case. Provide any other information that will head off potential harassment, such as the fact that you work odd hours and therefore might be sleeping during the day. If you do not want to be contacted by the caller, you should exercise your right, under the federal law, to have communications (other than certain limited contacts) ceased or, under both state and federal law, be directed to your attorney. If you dispute the existence of or the amount of the debt, ask for verification. If you still dispute it, you should see an attorney. You shouldn't give in and pay a debt that you dispute simply to get the collector off your back. That is very often exactly what they want you to do.

Who can help you?

If you think you are being subjected to abusive debt collection practices, contact the Consumer Protection Division of the Vermont Attorney General's Office.

Warranties

All too often consumers who have attempted to get their products repaired under the warranty have found that the warranties were not worth the paper they were written on—that the small print on the paper with the gold border and the bold caption “warranty” took away more rights than it gave. In response to this problem, Congress passed the Magnuson-Moss Warranty Act providing consumers with new warranty rights, to go along with those already existing under state law.

What are the basic points of the Warranty Act?

The Warranty Act does not require a business to give written warranties. (By the way, “warranty” and “guarantee” mean the same thing.) But it does require firms that do give written warranties to meet certain standards and provide certain information. Under the Warranty Act, all warranties must be easy to read and understand and must be called “full” or “limited.” They must be written in ordinary language, not legal jargon. Every term or condition must be spelled out in writing; if it isn’t there, it isn’t part of the warranty. As of January 1, 1977, the Act requires warranties on consumer products costing more than \$15 to be made available for you to examine before purchase, and the Act’s “lemon provision” requires refund or replacement to be made where there is a “full” warranty and a reasonable number of attempts at repair fail.

What is the difference between a “full” and a “limited” warranty?

The Warranty Act has created two kinds of written warranties: “full” and “limited.”

The label “full” on a warranty means:

- a defective product will be fixed (or replaced) free, including removal and reinstallation if necessary;
- it will be fixed within a reasonable time after you complain;
- you will not have to do anything unreasonable to get warranty service (such as ship a piano to the factory);

- the warranty is good for anyone who owns the product during the warranty period; and
- if the product can’t be fixed (or hasn’t been after a reasonable number of tries), you get your choice of a new one or your money back.

Check if a warranty says “full”—it’s a quick way to know if you’re getting a lot of protection.

But there is one important thing the word “full” doesn’t promise. A “full” warranty doesn’t have to cover the whole product. It may cover only part of the product, like the picture tube of a TV. If your warranty covers only the picture tube, and the sound goes bad, you pay.

A warranty is “limited” if it gives you anything less than what a full warranty gives. “Limited” means “be careful—something’s missing.” For example, a “limited” warranty may:

- cover only parts, not labor;
- allow only a pro-rata refund or credit (you get a smaller refund or credit the longer you had the product);
- require you to return a heavy product to the store for service;
- cover only the first purchaser; or
- charge for handling.

A product can carry more than one written warranty. For example, it can have a “full” warranty on part of the product and a “limited” warranty on the rest.

What is an “implied” warranty?

Implied warranties are different from written warranties. They are created by state law and, as the name “implied” suggests, they come automatically with every sale, even though they are not written out. If a seller says nothing about warranties, you get the implied warranties. A seller can usually get out of these warranties by stating—in writing—that it gives no warranty at all (“as is”). But a seller can’t give a written warranty and get out of the implied warranties, too. The implied warranties may give you protection the written warranty doesn’t give.

GUARANTEE

The most common implied warranty is the "warranty of merchantability." This means the seller promises that the product you buy is fit for the ordinary uses of the product. For example, a reclining chair must recline; a toaster must toast. If it doesn't, you have a legal right to get your money back.

Another implied warranty is the "warranty of fitness for a particular purpose." If you buy a product relying on the seller's advice that it can be used for a special purpose, then this advice may create a warranty. For example, a seller who suggests a certain sleeping bag for zero-degree weather warrants that the sleeping bag will be suitable for zero degrees.

Are there other kinds of warranties?

Spoken promises and advertising claims can be warranties, too. You have a legal right to get what the company promises. These kinds of warranties are covered only by state law, not federal law.

Is a service contract a warranty?

Service contracts, sometimes wrongly called warranties, are not warranties at all. Warranties come with a product at no additional charge. Service contracts give extra protection for an extra fee.

May we suggest...

Read warranties and compare them as you would price before buying. It may be worth spending a little extra to get a good warranty that will better protect you later. In reading a warranty, look for the following:

- Is it "full" or "limited"? (Warranties only.)
- Are all parts of the product covered by the warranty (or service contract)? Would the parts that are not covered be expensive to fix? Are they likely to break?
- Would you have to pay any of the repair costs?
- How long does the warranty last?

- Do you get a different amount of protection for different parts of the product? Or for different periods of time?
- Is the warranty for just the first purchaser? Are you likely to sell the product, or give it as a gift, during the warranty period?
- What do you have to do to get warranty service? (Do you have to mail or ship the product somewhere?)
- Is there anything you have to do to keep the warranty in effect? (Are you responsible for "proper maintenance"?)
- Does the company giving the warranty have a good (or bad) reputation for living up to its warranty?

If you're considering a service contract, ask:

- What extra protection does the service contract give you that the warranties don't give?
- How much does it cost? Is it worth it?
- If you change your mind, or sell the product, and you want to cancel the service contract, can you get any of your money back?
- Who is responsible for performance? The manufacturer? The dealer? Someone else?

If a problem comes up, read the warranty. It will tell you what procedure to follow to have the warranty honored. (Make sure you keep your sales slip with your warranty, to prove the date of purchase or that you were the original purchaser.) Remember: If you've complained about the product's performance during the warranty period, your rights with respect to those problems don't run out at the end of the warranty period.

Who can help you?

If the seller doesn't have his warranties available to look at before purchase, complain to the Federal Trade Commission. If he won't honor his warranty, written or implied, contact the Consumer Protection Division of the Vermont Attorney General's Office.

Your Consumer Protection Division

The Consumer Protection Division is part of the Attorney General's Office. Its primary responsibility is to enforce Vermont's Consumer Fraud Law, which prohibits "unfair methods of competition" and "unfair and deceptive trade practices." It also mediates about 400 consumer complaints each month. The scope of the activities of the Division are governed by legislation, and there are certain things that the Division, by law, can and cannot do.

The Division can...

- attempt to resolve every complaint it receives relating to allegedly unfair or deceptive acts or practices in the marketplace by contacting the business complained about and requesting that it contact you to either resolve your complaint or satisfactorily explain its side of the story,
- investigate complaints where there appears to be a pattern or practice in violation of the law, and follow up with legal action if a significant violation is found,
- write and promote consumer legislation, and
- speak to school, business, and consumer groups throughout the state.

The Division cannot...

- get involved in matters where there has been no violation of the Consumer Fraud Law,
- represent you as an individual in court or give legal opinions or legal advice; the Division represents the State of Vermont and can only act in the name of the State,
- resolve every complaint to the satisfaction of all parties; because of limitations of time and staff, as well as jurisdiction, decisions on which cases will be pursued through investigations are based on how much will be accomplished to benefit ALL Vermonters if the case is pursued, and

- give an opinion as to the reputation of particular businesses. But the staff will point out general problems in the particular industry and can give you advice on how to proceed to minimize the chances of your encountering problems. In addition, the complaint files are open and you may inspect them Monday through Friday between 8 a.m. and 4:30 p.m.

How to file a complaint

Before you file a complaint with the Consumer Protection Division, you should contact the business at least once and allow it an opportunity to resolve your problem voluntarily. If you are still dissatisfied, you can file a complaint with the Division by calling the Attorney General's statewide toll-free line or sending a letter. Your complaint MUST include the following information:

- the correct name and address of the business about which you are complaining,
- your full name, address, and phone number,
- a brief, concise description of the problem, and
- a description of the relief you are seeking.

Written complaints should be mailed to:

Office of the Attorney General
Consumer Protection Division
109 State Street
Montpelier, Vermont 05602

Telephone complaints may be made without charge by dialing 1-800-642-5149.

All complaints will be carefully reviewed by a member of the staff to determine whether there has been a violation of the law. The business' complaint file will be reviewed at the same time to find whether complaints of a similar nature have been received and an investigation is warranted. The Consumer Protection Division can investigate only a limited number of complaints; as a result, although your complaint may be legitimate, it still may not become the basis for an investigation. If such is the case, you may wish to consult an attorney or file an action yourself in small claims court, where you do not need to be represented by an attorney.

Other Sources of Help

AIRLINES: Charters, baggage handling, refunds, prices, service, and routes

Office of the Consumer Advocate
Civil Aeronautics Board
1825 Connecticut Avenue, N.W.
Washington, D.C. 20425 Tel: 202-673-5526

AUTO REGISTRATION, INSPECTION, AND TITLE

Department of Motor Vehicles
120 State Street
Montpelier, Vermont 05602 Tel: 828-2121

AUTOMOBILE SAFETY: Defects and recalls

Chief of Consumer Services
National Highway Traffic Safety Administration
Washington, D.C. 20590 Tel: 800-424-9393

BANKS: All inquiries (including interest rates, insurance, and securities)

Department of Banking and Insurance
120 State Street
Montpelier, Vermont 05602 Tel: 828-3301

CIVIL RIGHTS VIOLATION/DISCRIMINATION

Civil Rights Division
Office of the Attorney General
109 State Street
Montpelier, Vermont 05602 Tel: 800-642-5149

FOOD AND DRUGS: Contamination

Food and Drug Administration
Box B
Essex Junction, Vermont 05602 Tel: 879-7628

FUEL: Pricing and delivery (also energy conservation, alternatives, and energy-saving devices)

State Energy Office
109 State Street
Montpelier, Vermont 05602 Tel: 828-2768

HEALTH HAZARDS IN HOUSING AND PUBLIC BUILDINGS

Housing: Contact town or city health officer. Local inspectors have the power to make sanitary inspections to determine whether there is a public health hazard. They may enter any house or other building or place for the purpose of making these inspections.

Public Buildings: All matters of sanitation, ventilation, heating, plumbing, and water in public buildings.

Department of Health
60 Main Street
Burlington, Vermont 05401 Tel: 862-5701

INSURANCE

See Banks.

LAWYER REFERRAL

Vermont Lawyer Referral Service
Tel: 800-642-3153

LAWYERS: Complaints (must be written)

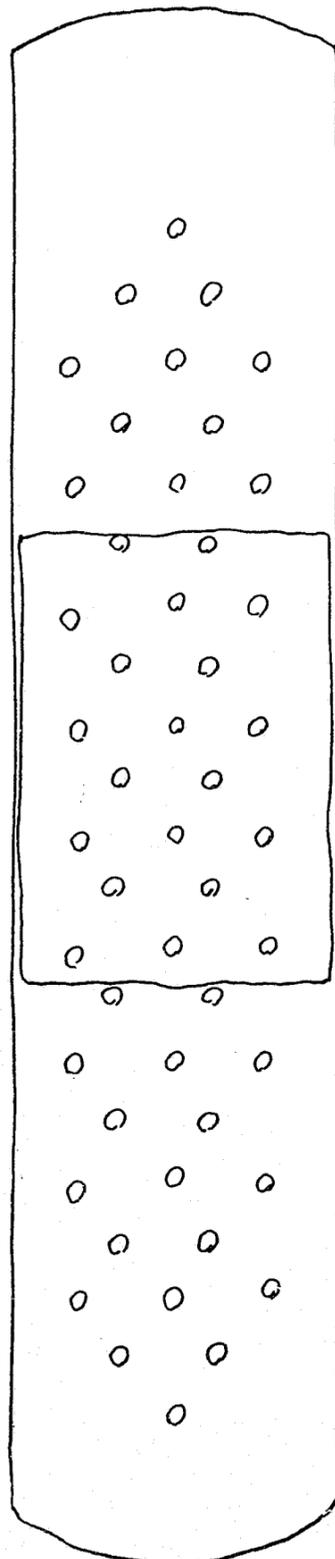
Professional Conduct Board
Vermont Supreme Court
111 State Street
Montpelier, Vermont 05602

LEGAL AID

Vermont Legal Aid
(Consult phone book for the office in your area.)

LICENSING OF PROFESSIONALS: Information and complaints against the professional—not price complaints. Accountants, architects, barbers, chiropractors, cosmetologists, dentists, dental assistants, dental hygienists, embalmers, engineers, land surveyors, nurses, nursing homes, opticians, optometrists, osteopaths, physical therapists, physicians, psychologists, pharmacists, plumbers, veterinarians.

Division of Licensing and Inspection
126 State Street
Montpelier, Vermont 05602 Tel: 828-2381



MAIL: Postal services, handling, and deliveries
Consumer Advocate
Postal Service
Washington, D.C. 20260 Tel: 202-245-4550

MAIL FRAUD

Vermont:

Postal Inspector
Federal Building
Burlington, Vermont 05401 Tel: 862-6501

New England:

Postal Inspector in Charge
Main Post Office Building
Devonshire and Milk Streets
Boston, Massachusetts 02107

Out of State: Contact Postal Inspector at the city, state, and zip code of the business involved.

MAIL ORDER: Difficulties in obtaining the proper address of a mail order company

When you have a problem contacting a mail order firm because of an improper or changed address, pick up a Consumer Service Card (PS Form 4134) at your post office; the post office will then attempt to obtain the address for you.

MOVERS: Interstate moving companies, trucking, bus and train travel

Interstate Commerce Commission
Bureau of Operations
P.O. Box 548 - 87 State Street
Montpelier, Vermont 05602 Tel: 223-6001

OR

Interstate Commerce Commission
Washington, D.C. 20230 Tel: 800-424-9312

PRICING: Unit, gasoline, food (also weights and measures of food and wood; meat inspection)

Vermont Department of Agriculture
116 State Street
Montpelier, Vermont 05602 Tel: 828-2436

PRODUCT SAFETY: Household products and toys
Consumer Product Safety Commission
Washington, D.C. 20207 Tel: 800-638-2666

REAL ESTATE

Vermont Real Estate Commission
7 East State Street
Montpelier, Vermont 05602 Tel: 828-3228

TAX COMPLAINTS AND INFORMATION

Federal: Ask for IRS taxpayer assistance

Internal Revenue Service

Tel: 862-6501 or 658-1870

State:

Department of Taxes

109 State Street

Montpelier, Vermont 05602

Income tax - Tel: 828-2545

Property tax - Tel: 828-2536

Sales tax - Tel: 828-2551

General information - Tel: 828-2501

UTILITIES: Telephone, cable TV, electricity, piped gas (also private water systems and water resources stored for electricity); no jurisdiction over bottled gas or fuel oil companies, and no jurisdiction over municipal or cooperative water works.

Public Service Board

120 State Street

Montpelier, Vermont 05602 Tel: 828-2332

WAGE COMPLAINTS: Only instate businesses

Department of Labor and Industry

120 State Street

Montpelier, Vermont 05602 Tel: 828-2286

WAGE DISCRIMINATION

Civil Rights Division

Office of the Attorney General

109 State Street

Montpelier, Vermont 05602 Tel: 800-642-5149

OR

Federal Wage and Hour Board

Federal Building

Burlington, Vermont 05401 Tel: 862-6501

Although we have tried to avoid them wherever possible, the pronouns "he" and "his" are used throughout this publication for continuity and clarity. We hope this will not be misconstrued as an example of sexism.

NL-5M-578

END