

Buying & Vacation Clubs FACTS

WHAT IS A BUYING CLUB?

A commercial buying club offers discounts on merchandise and or services to its members; however, the membership fee is often high - sometimes as much as \$500 or more. If the member receives a 25% discount on merchandise, in order to recoup the \$500 membership fee, a member would need to buy \$2,000 worth of merchandise. The "savings" may apply to "suggested retail price," an amount much higher than the normal selling price. A discount store could offer the item at the same price as the buying club and not charge a membership fee.

WHAT IS A VACATION CLUB?

A vacation club provides or purports to provide its members with vacations, vacation plans, or services connected with the scheduling of vacations at discount prices. Again, the membership fee is often high and you may find that there are no real savings. By comparing prices and travel plans with your local travel agent, you can make an informed decision on whether or not a vacation club would be beneficial to you.

BOND REQUIREMENT

Every club that has a membership fee in excess of thirty-five dollars (\$35) shall maintain a bond of fifty thousand dollars (\$50,000) in favor of the Attorney General of the Commonwealth of Kentucky for the benefit of any member who suffers loss of prepayment made pursuant to a contract entered into after July 15, 1982, due to insolvency of the club or the cessation of business by the club, or failure by the club to perform under contract. Any person claiming against the bond may maintain an action at law against the club and the surety.

CAUTIONS

As in any business, a buying club or vacation club owner operates to make a profit. To do so, some club owners use the membership fees and advance merchandise order payments to keep their businesses afloat - a dangerous situation for members. There is also the possibility that the club may go out of business after you join. Some clubs have shut down and left their members with little hope of recouping their losses.

BEFORE YOU JOIN

Before you decide to join a buying club or a vacation club:

1. Make a list of what you want to buy and compare local retailers' prices with prices the buying club is offering;
2. Check to see if freight or other service charges are added to the purchase price;
3. DO NOT join a buying club that will NOT show price lists or a catalog until after you have joined;
4. Make sure that the buying club has a showroom of merchandise and be certain that you tour the showroom;
5. Compare prices of vacations with your local travel agent;
6. Are there hidden costs involved with the vacations?
7. Are there limited times you may travel?
8. DO NOT succumb to high pressure sales techniques;
9. Check with the Attorney General's Office of Consumer Protection to verify if the club is bonded.

DELIVERY OF MERCHANDISE

All merchandise ordered through a buying club must be delivered to you within six weeks from the date you placed your order, unless the purchase contract sets forth a different delivery date agreed upon by you and the buying club. If you do not receive your ordered merchandise, you are entitled to a full refund upon request.

CANCELING YOUR MEMBERSHIP

If you join a buying club or a vacation club and decide that you want to cancel your membership, you may do so by giving **written notice within 3 business days** from the date of joining. The buying club or vacation club must refund all money paid for membership upon cancellation within ten days after notice of cancellation is given. Please be aware that cancellation does not relieve you from paying for any vacation or merchandise actually used by you prior to the date of cancellation.

KRS 367.399

BEWARE

Some pyramid schemes are often touted as “buying clubs.” This seems to be a new trend. You may receive an invitation to join a buying club, but the discount merchandise is not the focus of the club. The driving force of the “club” is to recruit new members so that they will pay “membership fees” to those whose names appear at the top of the “membership list” or pyramid. The discount merchandise is secondary to the “plan”.

If you participate in a pyramid, you risk the possibility of 10 years imprisonment and/or civil penalties. You should report these “clubs” to the Attorney General’s Office.

Also, most of the “discount buying” clubs solicit by telephone and could be required to register with the Attorney General’s Office as a telephone solicitor. Ask the caller if he or she is registered with the Attorney General’s Office as a telemarketer, and if the buying club or vacation club is bonded.

FOR MORE INFORMATION

If you have a consumer complaint or would like more information about vacation and buying clubs, or would like to inquire if one is registered, contact:

**Office of the Attorney General
Office of Consumer Protection
1024 Capital Center Drive, Suite 200
Frankfort, KY 40601
(502) 696-5300
www.ag.ky.gov**