

Plain language laws

How to comply with the Plain Language Consumer Contract Act

Pennsylvania and many other states have passed laws requiring consumer contracts to be written in “plain language” to make contracts easier for consumers to understand.

Many companies, however, may not be aware of these laws and their requirements.

“Any company that does business with consumers should have its contracts reviewed by an experienced business attorney on a regular basis to ensure compliance with these laws,” says Julia Richie Sammin, a member at Semanoff Ormsby Greenberg & Torchia, LLC.

Smart Business spoke with Sammin about what businesses need to know to stay in compliance with Pennsylvania’s Plain Language Consumer Contract Act.

What is covered under the Plain Language Consumer Contract Act?

Pennsylvania’s Plain Language Consumer Contract Act applies to all written contracts between a business and a consumer. A consumer is any individual who borrows, buys, leases, or obtains credit, money, services, or property for personal, family, or household purposes. The Act’s scope is therefore fairly wide; for example, residential leases, home improvement contracts, security alarm contracts, and gym membership agreements are all covered by the Act. Consumers cannot waive the protection of the Act.

There are exceptions for, among other things, some real estate contracts, contracts involving amounts over \$50,000, marital agreements, and documents used by regulated financial institutions. Also, a company will not be liable under the Act if all parties have finished what was required under the contract, the consumer wrote

the part of the contract that violates the Act, or the company made a good-faith and reasonable effort to comply with the Act.

What are the guidelines by which contracts should be written to comply with the Act?

The Act requires all consumer contracts to be written, organized, and designed so that they are easy to read and understand. For instance, consumer contracts should use short words, sentences and paragraphs, and should avoid Latin and foreign words, technical legal terms, and sentences that contain more than one condition.

Consumer contracts should also have font sizes, margin width, line spacing, and other formatting and visual characteristics that make them easy to read. Therefore, contracts that use tiny fonts and cramped text can run afoul of the Act, even if the contract language itself is easy to understand.

The Act also requires specific language to waive a consumer’s rights in residential leases, and there must be a description of any property that may be repossessed if the consumer does not meet the terms of the contract.

What happens to a company that doesn’t comply with the Act?

A company that does not comply with the Act is liable to the consumer for any or all



JULIA RICHIE SAMMIN

Member
Semanoff Ormsby Greenberg & Torchia, LLC

(215) 887-4078
jsammin@sogtlaw.com

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of the following: actual damages, statutory damages of \$100, court costs, reasonable attorneys’ fees, and any other relief ordered by the court. In addition, a violation of the Act is deemed to be a violation of the Pennsylvania Unfair Trade Practices and Consumer Protection Law (UTPCPL), which carries more significant penalties, and pursuant to which the Pennsylvania Attorney General’s Bureau of Consumer Protection has the authority to investigate and take action against companies engaged in unfair trade practices. The attorney general has an array of enforcement powers under the UTPCPL, including injunctions, restitution and civil penalties.

How can companies ensure their contracts comply with the Act?

An attorney can rewrite a company’s contracts to comply with the readability requirements under the Act. In addition, companies may submit their consumer contracts to the Pennsylvania Office of the Attorney General (OAG) for preapproval. Preapproval means that the contract is considered to be a good-faith effort to comply with the Act, which is a defense to liability under the Act. Preapproval does not mean that the OAG has approved the contents of the contract; rather, it simply means that the contract meets the readability test under the Act. ●