

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Committee on Fiscal Policy

BILL: CS/CS/SB 726

INTRODUCER: Fiscal Policy Committee; Commerce and Tourism Committee; and Senator Ring

SUBJECT: Consumer Protection

DATE: April 21, 2015

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Harmsen</u>	<u>McKay</u>	<u>CM</u>	Fav/CS
2.	<u>Blizzard</u>	<u>DeLoach</u>	<u>AGG</u>	Recommend: Favorable
3.	<u>Jones</u>	<u>Hrdlicka</u>	<u>FP</u>	Fav/CS

Please see Section IX. for Additional Information:

COMMITTEE SUBSTITUTE - Substantial Changes

I. Summary:

CS/CS/SB 726 requires retail stores to allow certain consumers to return purchases of \$1,000 or more for a full refund within 3 business days of their purchase if the consumer:

- Has been adjudicated incapacitated;
- Is subject to a guardianship, and the guardian has the authority to determine the consumer's right to manage property; or
- Has a doctor's note that indicates that he has been diagnosed with a medical condition that causes him to lack sufficient understanding or capacity to make or communicate reasonable decisions concerning his person or property, and has a power of attorney in effect.

The bill also authorizes the Department of Agriculture and Consumer Services to administer a fine of up to two times the value of the goods purchased.

The bill has an insignificant, indeterminate fiscal impact on state funds.

II. Present Situation:

Consumer Protections

The Department of Agriculture and Consumer Services (DACS) is charged with protecting consumers from deceptive business practices. The Division of Consumer Services (division) serves as a clearinghouse for consumer complaints and is responsible for overseeing and

regulating a range of businesses practices related to refunds, returns, and exchanges at retail stores that are provided in s. 501.142, F.S. The enforcement of s. 501.142, F.S., is based on complaints made directly to the DACS. The DACS has issued only one administrative fine for a violation of s. 501.142, F.S. Retail stores generally comply with the law upon request by the DACS.¹

Currently, s. 501.142, F.S., requires retail stores to clearly post a “no refunds” sign at the point of sale in order to enforce this policy. If the retail store does not have a posted “no refunds” policy, then it must present a written version of its refund policy upon a consumer’s request or adhere to the default refund policy described in s. 501.142, F.S. This provision requires a full refund to any customer who presents to the retail store within 7 days of the original purchase their proof of purchase and the unused and originally-packaged item. A retail store’s refund policy may allow for a longer return period.²

The division may impose a \$100 administrative fine per violation of s. 501.142(1), F.S., or issue a directive to cease and desist from the violation. Additionally, a local government may apply penalties as outlined in s. 501.142(6), F.S.

These refund policy requirements do not apply to perishable or custom goods, items that are custom altered at the customer’s request, or goods that may not legally be resold by the retail store.³

Incapacity

Older Americans are at a greater risk of victimization of financial crimes than the general population due to cognitive impairment or incapacity. It is estimated that older Americans lost at least \$2.9 billion to financial exploitation by a broad spectrum of perpetrators in 2010.⁴ Protections exist for individuals with cognitive impairment or incapacity and range from issue or authority-specific grants of power (powers of attorney), to a determination of partial- or total-incapacity by a court.⁵

A power of attorney or a durable power of attorney⁶ is a legally binding document that delegates specific authority to an agent to act on a person’s behalf. Powers of attorney are often used by elderly persons to designate someone to handle their financial matters in anticipation of becoming incapacitated. The authority granted by a power or attorney or durable power of attorney can be limited to specific acts, such as caring for a particular property, or may be

¹ Department of Agriculture and Consumer Services, *SB 726 Agency Analysis* (Feb. 24, 2015) (on file with the Senate Committee on Commerce and Tourism).

² Section 501.142(1), F.S.

³ Section 501.142(2), F.S.

⁴ Consumer Financial Protection Bureau, *Protecting Residents from Financial Exploitation, A Manual for Assisted Living and Nursing Facilities*, p. 7-8 (May 2014), available at http://files.consumerfinance.gov/f/201406_cfpb_guide_protecting-residents-from-financial-exploitation.pdf (last visited April 13, 2015).

⁵ Section 744.331(6)(a), F.S. The court shall make a finding of “the exact nature and scope of the person’s incapacities;...and the specific rights that the person is incapable of exercising.”

⁶ See ch. 709, F.S.

broadly drawn to cover all legal acts that the principal could otherwise do.⁷ While a power of attorney terminates when a person becomes incapacitated, a durable power of attorney does not.⁸ A power of attorney is an efficient and low-cost alternative to guardianship.

Alternatively, a court may appoint a guardian, who “has the legal authority and duty to care for another’s person or property, especially because of the other’s infancy, incapacity, or disability.”⁹ Any adult may petition a court to initiate a petition to determine another’s incapacity.¹⁰ An “incapacitated person” is a person who has been judicially determined to lack the capacity to manage at least some of the property or to meet at least some of the essential health and safety requirements of the person.¹¹ In cases where incapacity has been determined by a court, the court may appoint a guardian, but must pursue lesser restrictive means if possible.¹² Guardians are governed exclusively by the Florida Statutes,¹³ and may exercise for their ward only the enumerated rights that the court removed from the incapacitated person.¹⁴ A guardianship is more actively supervised by the court than a power of attorney, which results in more costs to the individual adjudicated incapacitated.

III. Effect of Proposed Changes:

Section 1 provides that the act may be cited as “Terry’s Law.”

Section 2 amends s. 501.142, F.S., to require all retail stores to grant a full refund to a consumer who purchased goods valued at \$1,000 or more and complies, either personally or through his or her representative, with the provisions below:

- Within 3 business days of the purchase, presents to the store both proof of purchase and the purchased goods in their unused and original condition including the original carton, if any; and
- Provides documentation establishing that:
 - The consumer has been adjudicated incapacitated pursuant to ch. 744, F.S., or similar law;
 - The consumer is subject to a guardianship pursuant to ch. 744, F.S., or similar law, and the guardian has authority to determine the consumer’s right to manage property; or
 - The consumer has been diagnosed with a medical condition that causes him or her to lack sufficient understanding or capacity to make or communicate reasonable decisions concerning his or her person or property, and has a power of attorney or durable power of attorney, pursuant to ch. 709, F.S., or similar law in effect.

The bill also provides the DACS additional authority to impose an administrative fine of twice the value of the goods purchased.

⁷ The Florida Bar, *Florida Power of Attorney Pamphlet*, available at <http://www.floridabar.org/tfb/TFBConsum.nsf/840090c16eedaf0085256b61000928dc/ab36277c4562e98885256b2f006c5ad6> (last visited April 13, 2015).

⁸ Sections 709.2102(4), 709.2104, and 709.2109(1)(b) F.S.

⁹ BLACK’S LAW DICTIONARY (10th ed. 2014).

¹⁰ Section 744.3201(1), F.S.

¹¹ Section 744.102(12), F.S.

¹² Section 744.331(6)(b), F.S.

¹³ *Poling v. City Bank & Trust Co. of St. Petersburg*, 189 So. 2d 176, 182 (Fla. 2d DCA 1966).

¹⁴ Section 744.361, F.S., provides the standard powers and duties of a guardian.

Section 3 corrects cross-references in s. 501.95, F.S.

Section 4 provides an effective date of July 1, 2015.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

Private businesses will be subject to fines as penalties for violations of the bill.

C. Government Sector Impact:

The DACS estimates there will be an insignificant, indeterminate fiscal impact as enforcement is based on consumer complaints. Historically, the DACS has only issued one administrative fine for an establishment found to be noncompliant¹⁵

VI. Technical Deficiencies:

None.

VII. Related Issues:

An individual may be adjudicated incapacitated, but retain his or her right to manage his or her property because this right must be specifically delegated to a guardian by a court.¹⁶ Therefore, proposed s. 501.142(2)(c)1., may be broader than necessary.

¹⁵ Department of Agriculture and Consumer Services, *SB 726 Agency Analysis* (Feb. 24, 2015) (on file with the Senate Committee on Commerce and Tourism).

¹⁶ Section 744.3215, F.S.

VIII. Statutes Affected:

This bill substantially amends the following sections of the Florida Statutes: 501.142 and 501.95.

IX. Additional Information:**A. Committee Substitute – Statement of Substantial Changes:**

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

CS/CS by Fiscal Policy on April 20, 2015:

The committee substitute provides that the act may be cited as “Terry’s Law.”

CS by Commerce and Tourism on March 10, 2015:

- Clarifies the department’s enforcement of the bill by removing restitution as an available remedy.
- Expressly states that local governments may enforce this law in addition to the department.
- Expands the bill’s protections to cover consumers subject to a guardianship, and consumers who lack capacity to make or communicate reasonable decisions regarding his person or property and are in a valid power of attorney or durable power of attorney relationship.
- Clarifies that certain consumers have three business days rather than calendar days to return the item.

B. Amendments:

None.