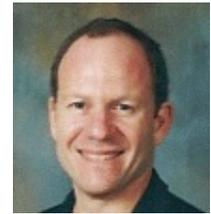


LEGAL CORNER



CONSUMER THREE-DAY RIGHT OF RESCISSION

Are All of Your Residential Contracts Voidable at Any Time?

If you are like most alarm companies selling residential systems, the chances are pretty high that you are not properly delivering the so-called Three-Day Right of Rescission Notice to your customers. Many dealers believe that including a disclosure of the consumer's rights in their contract is sufficient. **WRONG!** The California Civil Code requires that a separate, full description of the consumer's right to rescind, in the form of a "Notice of Cancellation" be delivered to each residential customer at the time the contract is entered into - **in duplicate**.

What is the harm if the notice is not properly given? The Code provides that until you have properly complied with the requirement, your customer can cancel the contract **at any time**.

In a well-known case, this proved to be a costly disaster for a large, regional dealer. When the subscriber suffered a loss in the high six-figures and sued the dealer, the customer sent a letter to the dealer canceling the contract because the proper notice had not been given. This voided the customary "limitation of liability" in the contract. But then, the dealer's insurance company also refused to cover the loss, because a clause in the insurance contract provided that there had to be a "valid" contract with the customer. The dealer ended up paying the whole amount out of its own pocket!!

Mr. Gottlieb is a legal specialist in the security and fire protection industry. He provides contracts and other legal forms, and advises on legal compliance matters.

LAW OFFICES OF

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BUSINESS & CORPORATE LAW

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