

Can I Cancel that Contract? The 3-Day Rule

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By Scott Callahan

It happens all the time. People often have second thoughts about what they've bought, whether it's a car, a health club membership, or a timeshare.

The scenarios are endless. It may be buyer's remorse after succumbing to that perfect sports car. Or, it may be the result of an unscrupulous sales pitch over the phone to an elderly person. Or it could involve an apartment lease that is too expensive.

For whatever reason, consumers often wish they could undo certain financial decisions.

In specific situations, customers have a three-day right to cancel. You also may have heard of this as a "cooling off" period.

The legal term for undoing a contract is "rescission." However, this ability to cancel does not apply to all contracts or purchases.



The three-day right of rescission law applies to sales made at facilities other than the seller's place of business. For example, a purchase from a door-to-door salesman made at your home. Or, a purchase made in a temporary sales site, such as a hotel conference room or convention center.

The three-day right does not apply to purchases under \$25, the purchase of insurance, or the purchase of farm equipment.

It should be noted that certain laws allow for cancellations marginally beyond three days, such as a timeshare purchase or if the goods have not yet been delivered to the buyer.

Aside from the three-day rule, consumers are also protected in other ways. Did the sale involve fraud, deception, misrepresentation, or duress? Customers are protected in those cases by such laws as the Deceptive Trade Practices Act, the Texas Lemon Law, and laws regarding breach of contract and breach of warranty.

If fraud wasn't involved, and the three-day rule doesn't apply, then check the contract language for cancellation terms. Consider meeting with the seller to explain the specific circumstances or any problems you have encountered with the product or service.

In situations that are covered by the three-day cancellation rule, the seller:

- Must tell you about your cancellation rights at the time of the sale.
- Must give you two copies of a cancellation form, as well as a copy of your contract or receipt.
- Must refund your money and return any of your trade-in items within 10 business days.

Also, the cancellation form must be in the same language that was used by the buyer and seller during the sales presentation. And any cancellation must be made in writing before midnight of the third business day after the sale.

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Important tips you should follow:

- If you have questions about the contract, consult with an attorney before you sign.
- Make copies of all documents for your records, especially the cancellation form, contract, and receipt.
- Put everything in writing.
- Send the cancellation by certified mail, return receipt requested.

Remember that signing a contract means you are generally bound by the terms of the deal. In other words, a consumer cannot simply get out of a contract at any time simply by having a change of heart. However, cooling-off periods and other consumer protection laws provide a vitally important role in certain circumstances.

The information in this column is not intended as legal advice, but to provide a general understanding of the law. Readers with legal issues, including those whose questions are addressed here, should consult attorneys for advice on their particular circumstances.

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