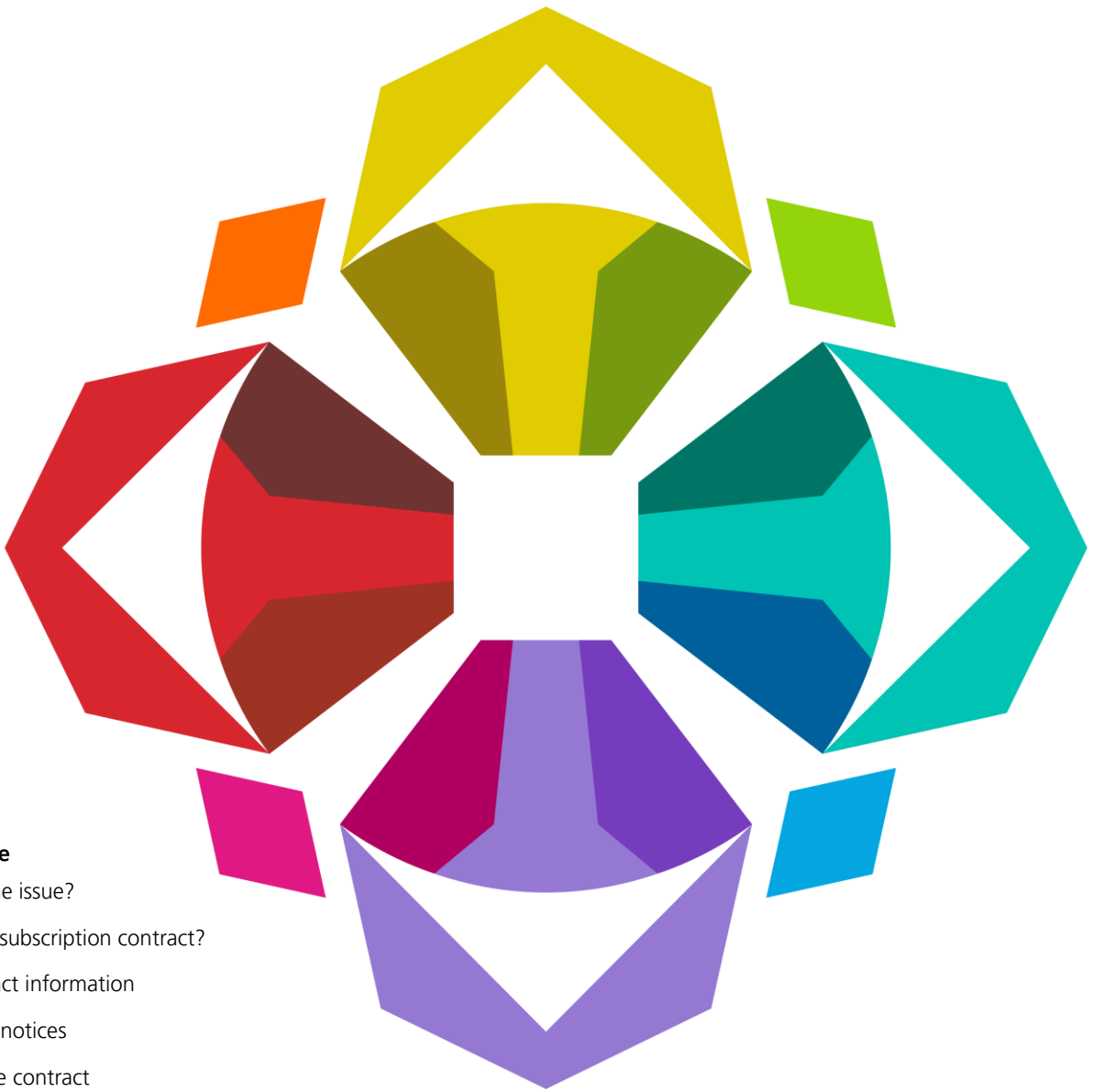


# Client guide: DMCC Act 2024 and subscriptions



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The [Digital Markets, Competition and Consumers Act](#) recently received Royal Assent. Among other things, it introduces comprehensive new rules for subscription contracts with consumers. This guide aims to give an overview of the new rules.

### What is the issue?

For some time, regulators have been concerned about so-called subscription traps, and estimate that they cost consumers over £1.6 billion a year because:

- ▶ contracts can lock in consumers indefinitely;
- ▶ automatic renewal provisions repeatedly extend the contract;
- ▶ there are lengthy roll-over periods; and
- ▶ unclear information buried in lengthy terms and conditions prevents consumers from cancelling.

Consequently, the government consulted on reforming consumer law, including tackling subscription traps. In April 2023, the government introduced the legislation to the UK parliament. It follows enforcement work by the CMA regarding subscription models in the anti-virus and the online video gaming sectors. The CMA required video gaming companies to provide better upfront information as well improving processes to deal with inactive users. As a result of its anti-virus software investigation, it devised a series of compliance principles, considering issues such as information requirements, transparency, switching off auto-renewal, renewal reminders, cooling-off rights and safeguards for lapsed users. Some (but not all) of these principles are reflected in the Act. The new rules are very similar to those in the Consumer Contracts (Information, Cancellation and Additional Charges) Regulations 2013 (CCRs), but tailored specifically to subscription contracts.

In addition, the ASA has upheld complaints about the advertising of free trials and subscriptions and CAP issued an enforcement notice. It reminded advertisers of the importance of bringing significant conditions to the attention of consumers, noting that saying “subject to T&Cs” is not an acceptable approach.

### What is a subscription contract?

Broadly speaking, a subscription contract is a contract between a trader and a consumer for the supply of goods, services or digital content by the trader to the consumer in exchange for payment by the consumer, which has terms providing for an automatically recurring, or continuing, supply of goods, services or digital content to the consumer for an indefinite period or a fixed period and where the consumer automatically incurs liability for each supply, or recurring liabilities for the continuing supply, and a right for the consumer to bring the contract to an end before such liability is incurred.

The Act lists contracts that are excluded from this definition, including contracts for the supply of utilities, financial services, certain healthcare and medical contracts, contracts for the supply of services regulated by Ofcom, residential accommodation rental contracts, leisure activities on a specific date, package holiday and package travel contracts, contracts for the supply of childcare and school age education and charity subscriptions attracting Gift Aid. However, although these contracts will fall outside the scope of the Act, they will still be subject to the existing rules set out in the CCRs to the extent they are not also excluded from those Regulations.

### Pre-contract information

Where a trader enters into a subscription contract, it must give the consumer “key pre-contract information” and give or make available “full pre-contract information”. This includes information about the contract's auto-renewal mechanism, the charges that apply after any initial trial period, the amount and frequency of payments, and details of how the consumer can terminate the contract. It must be provided:

- ▶ As close in time to entering into the contract as possible;
- ▶ Separately from the full pre-contract information and other information (so that it is not obscured);
- ▶ In writing (unless the contract is concluded orally and remotely); and
- ▶ So that the consumer does not have to take any steps to read the information, such as clicking on links or downloading separate documents, other than the steps needed to enter into the contract itself



### Reminder notices

The Act sets out very detailed requirements for the giving of reminder notices in respect of upcoming renewal payments. The rules provide broadly that, for monthly subscriptions, a reminder should be given every six months, whereas, for annual subscriptions, two reminders must be given towards the end of the term.

Originally, the draft legislation was very prescriptive about the exact timing of these reminder notices, but amendments were made in November 2023 to give traders some discretion in determining how long the reminder notice must be given before the last opportunity for the consumer to cancel. The timeframes determined by the trader must be reasonable to ensure the consumer is aware of their liability and has an appropriate opportunity to consider whether to end the subscription. The relevant timeframes must also be specified in the pre-contractual information provided by the trader when the contract was entered into, and the trader is required to comply with those timeframes.

The renewal information must be more prominent than any other information (such as marketing) given at the same time, but it need not be entirely separate.

### Ending the contract

A trader must facilitate the consumer ending the subscription contract in a “straightforward way” and without having to take any unreasonable steps to end the contract. The draft legislation originally required the trader to provide a way for the consumer to cancel with “a single communication”, but the government proposed the new wording at Lords Report Stage so as to avoid preventing traders from engaging with their subscribers during the exit process and e.g. making counteroffers to persuade them to stay. However, if traders take this approach, they will need to ensure that they are not straying into “dark patterns” territory, “nudging” consumers to keep a subscription that they want to cancel.

Traders must also acknowledge the cancellation request and refund any overpayments. That notice must be given in writing, on a durable medium, and set out when the contract was cancelled or will come to an end. Unless other regulations apply, it must be provided within three working days after the day on which the consumer gives notice of cancellation or, where the consumer gives notice online, within 24 hours of cancellation.

Where the subscription contract is entered into online, the trader must also allow termination online. Instructions for terminating the subscription must also be provided online in one or more places that a consumer is likely to find them. However, a consumer can, in any case, use another method to end the contract (such as sending an email), as long as it is a clear statement setting out their decision to bring the contract to an end.

### Implied terms

The trader's duties to provide pre-contract information and reminder notices and aid easy termination become implied terms in every subscription contract. If they are breached, the consumer may cancel the contract without penalty.

### Cooling-off rights

A consumer can cancel a subscription contract, without any penalty, during the initial cooling-off period and any renewal cooling-off period. The cooling-off period starts on the day the contract is entered into, and ends:

- ▶ For subscription contracts involving the supply of goods, at the end of the period of 14 days starting on the day after the day on which the consumer first receives goods.
- ▶ For other contracts, at the end of the period of 14 days starting on the day after the day on which the contract is entered into.

Cooling-off rights are more onerous for traders under the Act than they are under the CCRs, because the Act applies to all subscription contracts that are in scope. So whereas the CCRs only provide cooling-off rights in relation to distance contracts and off-premises contracts, under the Act consumers will benefit from cooling-off rights even where they sign up to a subscription contract in store.

For off-premises contracts, if traders do not provide the pre-contract information about the initial cooling-off period, they are committing a criminal offence. Company officers can be liable if it happens with their consent or connivance or due to their neglect.



The renewal cooling-off period starts on the day on which a "relevant renewal" takes place and ends 14 days after the day when the renewal took place. A relevant renewal is when:

- ▶ a consumer first becomes liable for a renewal payment after a free-trial or reduced-price trial period; or
- ▶ a consumer becomes liable for a renewal payment and the next payment is not due for 12 months or more (e.g., an annual subscription where the consumer pays once a year); or
- ▶ a consumer becomes liable for a renewal payment and no further payments are due, but the contract continues for 12 months or more.

Surprisingly, the Act does not expressly deal with the liability of the consumer where they exercise their right to cancel during the cooling-off period but have made use of the subscription. This is a key issue for traders and is something that is expressly dealt with in the existing rules set out in the CCRs. However, it was confirmed at the Lords Report Stage that the detail on return and refund rules will eventually be set out in secondary legislation and the outgoing government committed to consult publicly on those rules. The intention is to introduce a "use it and lose it" rule, whereby consumers lose their right to a full refund if they use a product during the cooling-off period.

A trader must tell a consumer about each renewal cooling-off period. The notice must state, among other things, that the contract is continuing, and the consumer has a right to cancel it during the renewal cooling-off period. It must be given on the first day of the renewal cooling-off period or as soon as reasonably practicable afterwards and must be provided separately from other information.

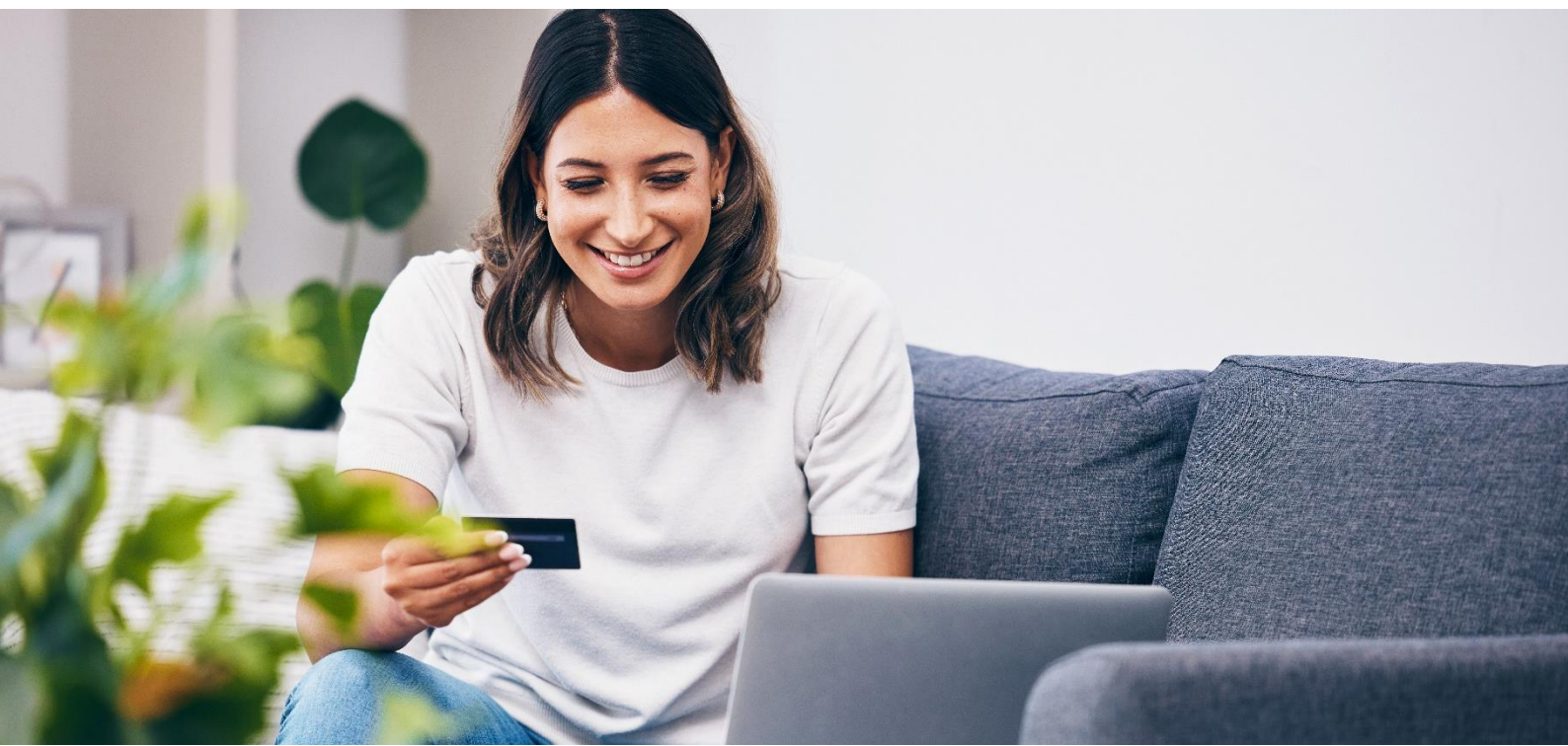
The Act takes into account that people may subscribe to services from overseas and states that the rules will apply to overseas contracts if they have a close connection to the UK.

### **What happens if I don't comply?**

The Act introduces much wider-ranging enforcement powers for the CMA, which will be able to issue GDPR-style fines without going to court first, as well as ordering redress and compliance measures. More information is available [here](#).

### **What should I do now?**

Traders should be reviewing their terms and conditions, but more particularly their customer journeys and staff training. The outgoing government confirmed that the subscription rules will not come into effect before spring 2026.





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