

March 28, 1969

HOUSE FILE 719

Judiciary, *See per amendment 3/11*  
*Sen. " 4/7, Case 4/8*

By KLEIN, MILLEN, MILLER of  
Des Moines, GRASSLEY, LIPSKY,  
VAN NOSTRAND, SHEPHERD and  
BAILEY

Passed House, Date *4-16-70* Passed Senate, Date *4-13-70*

Vote: Ayes *102* Nays *0* Vote: Ayes *51* Nays *0*

Approved .....

## A BILL FOR

1 An Act amending Iowa's consumer fraud law to prohibit referral  
2 selling, to grant immunity to certain defendants, and to  
3 eliminate certain notice provisions.

4 *Be It Enacted by the General Assembly of the State of Iowa:*

5 Section 1. Section seven hundred thirteen point twenty-four  
6 (713.24), Code 1966, subsection two (2), paragraph b, is here-  
7 by amended as follows:

8 1. By inserting in line four (4) before the word "to" the  
9 words "or other consideration,".

10 2. By striking lines nine (9) through twelve (12), inclusive,  
11 and inserting in lieu thereof the words "an unlawful practice.  
12 The".

13 3. By striking from line thirteen (13) the word "the" and  
14 inserting in lieu thereof the word "any".

15 Sec. 2. Section seven hundred thirteen point twenty-four  
16 (713.24), subsection four (4), Code 1966, is hereby amended  
17 by adding thereto the following:

18 "c. In any court action brought pursuant to this chapter,  
19 the attorney general shall have the right to require any  
20 defendant to give testimony. No criminal prosecution based  
21 upon transactions or acts about which he is questioned and gives  
22 testimony shall thereafter be brought against such defendant."

23 Sec. 3 Section seven hundred thirteen point twenty-four  
24 (713.24), subsection seven (7), Code 1966, is hereby amended  
25 by striking lines eight (8) through thirteen (13), inclusive,

- 1 and inserting in lieu thereof the words "or doing any acts
- 2 in furtherance thereof. The court may make".

### EXPLANATION OF HOUSE FILE 719

Section 1 of this bill prohibits referral selling. Referral sales schemes have been the source of a large percentage of the complaints received by the Consumer Protection Division of the Attorney General's office. Unscrupulous salesmen use referral sales techniques in order to induce customers to purchase items that they may not even want, at highly inflated prices. They can do this because they promise the customer that he will not have to pay any money for his merchandise because he will have the opportunity to submit names to the company and, for every one of these people who purchase the product that company may be selling, the customer will be paid a certain sum. It has been found that the vast majority of customers signing such contracts actually receive few, if any, referral payments and end up paying the full, or practically the full price of the contract. Prohibiting such practices would be a great step forward in protecting the consumers of the State of Iowa.

Section 2 of this bill is designed to give the Attorney General the power to require a defendant to give testimony in a suit brought under section 713.24.

Section 3 of this bill would remove the necessity for the Attorney General to serve a defendant in a consumer fraud case with two notices. The law presently requires the Attorney General to serve the defendant with a Notice of Intent to Sue three days before the Original Notice can be served. This section would require that an Original Notice be served on any defendant just as is the case in any other civil action. **By requiring** the defendant to be served twice, the opportunity is presented for said defendant to escape the jurisdiction of the Court after he is served with the first notice. In such cases, if the Original Notice could not be served upon him, the Court would have no jurisdiction over the defendant.

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- 1 Amend House File 719 as follows:
  - 2 1. Page 1, line 11, by inserting after the word
  - 3 "practice" the following: "rendering any obligation
  - 4 incurred by the buyer in connection therewith, com-
  - 5 pletely void and a nullity."
  - 6 2. Page 1, line 18, by striking the word
  - 7 "court" and inserting in lieu thereof the word
  - 8 "civil".
  - 9 3. Page 1, by striking all of lines 20 and 21
  - 10 and inserting in lieu thereof the following: "defendant
  - 11 to give testimony, and no criminal prosecution based
  - 12 upon transactions or acts about which he is questioned
  - 13 and required to give".

Filed - *adopted 4/6*  
 March 11, 1970  
 In: Judiciary Committee

COMMITTEE ON JUDICIARY  
 WILLIAM HILL, Chairman