



Legal ruling affecting the duration of gym membership contracts

As you may be aware, the Office of Fair Trading (OFT) and Ashbourne have been to the High Court. There have been various rumours and negative articles surrounding this. We can now put the record straight and give you the correct information "straight from the horse's mouth" -

The ruling, in simple terms, is that any gym contract, from any supplier, longer than 12 months, is no longer legally enforceable.

The vast majority of contracts that Ashbourne already handles are for 12 months or less, with a rolling one month's notice to cancel thereafter, **and this remains an enforceable clause**. Therefore, this ruling should make little difference to the way that we handle your contracts. However, if you have any specific concerns, then please contact us on 0871 271 2088.

Existing contracts

We will continue to collect payments for any existing contracts which are longer than 12 months, and any arrears that have accrued. Please be aware that members are now at liberty to cancel any contract once it has passed 12 months, provided that there are no arrears and that they have given 30 days notice. If you are concerned about any contracts which have gone beyond 12 months then the best thing to do is to re-sign the member on a new 12 month contract.

There is also no danger of anyone who has paid receiving any refund whatsoever.

All other aspects of our current contracts are legal and compliant with this ruling.

Consumer Credit Licences – a victory for common sense

As part of this legal case, the OFT argued that the use of monthly membership contracts should require each gym to obtain a Consumer Credit Licence (CCL). We are delighted to report that, as a result of Ashbourne's defence in this case, the OFT was forced to back down from this. This has saved each gym £1225 per year in potential CCL fees.

Membership recruitment

Contracts of up to 36 months have often been set up in the past as part of a recruitment promotion, offering new members lower monthly membership in return for a longer contract. This ruling means that this type of promotion is no longer enforceable beyond 12 months.

For many, 36 month style promotions have not worked well, as clubs have been obliged to give higher discounts than they have needed to for the first 12 months, when collection rates sit at 98% anyway, and are then confronted with ever higher default levels during years two and three.

It's in fact better that promotions should be based on 12 month contracts that can be enforced. To help with this, we will be making available high quality targeted lists of people in your area who have opted in to receive information about health and fitness. Using these lists, we can devise and send out targeted emails, automated phone calls and texts, backed up with mailings, for you to close the sale with your own staff in your gym. More info about this exciting new service will be available soon.

Looking to the future

While this has been a difficult episode, we are proud of the fact that we have averted the need for gyms to obtain CCLs and, now that the dust is settling, we believe that working within the confines of 12 month contracts is a more stable and sustainable situation for the whole gym industry.

This legal ruling affects ALL contracts of greater duration than 12 months, not just Ashbourne's. It has also resulted in some unwarranted and ill-informed media comment about the nature of gym membership contracts. However, as we have always done, we will continue to set up and run fair and reasonable contracts on your behalf, supported by an efficient collection process.

**John Clayton-Wright, Managing Director
Ashbourne Membership Management
June 2011**