



Information Commissioner's Office
Promoting public access to official information
and protecting your personal information

Data Protection Good Practice Note

Automatic renewal of policies or membership by credit or debit card

This good practice note explains how insurance companies and other organisations can comply with the Data Protection Act 1998 when automatically renewing a policy, membership or other arrangement where a fee has to be paid. This note covers payment of fees by credit or debit card but not by direct debit.

Our concerns

An automatic renewal occurs when a policy or membership is renewed without the individual asking the company or organisation to do this. The organisation will often write to the individual concerned and tell them that when the policy or membership expires they will renew it unless the individual objects. Payment will be taken using the credit or debit card details originally provided by the individual.

Automatic renewals of policies or memberships, sometimes known as tacit renewals, can have serious consequences for someone if it happens without their knowledge or consent. The Information Commissioner is aware of cases where poor practice has caused serious detriment to individuals. Money will be taken from the individual's account when they were not expecting it. Even worse, if the individual no longer uses the same credit or debit card and has changed address, this can lead to a 'default' marker being placed on their credit file. This may not be discovered for some time and will seriously affect their chances of getting credit.

Can organisations automatically renew a policy or membership?

Yes. However, individuals must understand that their policy or membership will be renewed automatically when it expires and agree to this.

Getting an individual's consent

- **By phone**

Where the arrangement is made over the phone the company should explain that they will renew the contract automatically on its expiry unless the individual objects. It should also explain that they will use the same card details given for the initial payment unless the individual tells them otherwise. The individual should be given the opportunity to refuse.

- **On the internet**

When an individual agrees to purchase a policy or membership, there must be a clear and prominent statement explaining that the contract will be renewed automatically. It should also explain that the same card details given for the initial payment will be used unless the individual tells them otherwise. The individual should be required to mark a check box to indicate his agreement.

▪ On a paper application form

The explanation of the intention to automatically renew must be clear and prominent, and preferably located where the individual signs and provides his payment details. It is vital that the individual understands that automatic renewal will occur, so they can make the choice whether or not to agree to this.

Confirmation

Where an individual agrees to automatic renewal and the company or organisation provides written confirmation of the policy or membership, they should include a reminder of their intention to automatically renew by charging the card details used originally.

At expiry - checking payment details

Where a company or organisation has an individual's consent to automatically renew, it is good practice to send a reminder to the individual to tell them of the intention to renew, in case any of their details have changed. The company or organisation should provide enough information for the individual to verify their details, but should not provide full card details to prevent possible misuse, for example, if the individual has moved and someone else opens the letter. The company or organisation should also give the individual the option to change their payment method.

Where a company or organisation wants to start using automatic renewals with existing customers, they may choose to get consent at renewal but there must be a clear indication from the individual that they agree to this.

Good and bad practice

<input checked="" type="checkbox"/> Good practice	<input checked="" type="checkbox"/> Bad practice
An individual applies for a motor insurance policy over the telephone and is asked whether he wishes to pay for the policy automatically at renewal. The dangers of a failure to renew are pointed out. He is also told that he will be sent a notice of the intention to renew automatically, where he will also be given the chance to change his mind.	The insurance company includes in the terms and conditions of its policies that it will renew automatically on expiry of the contract. It does not draw the attention of the individual to this. It only sends out the terms and conditions after the individual has agreed to purchase the insurance. The company renews the policy anyway using the payment details originally provided without checking their validity.

More information

If you need any more information about this or any other aspect of data protection, please contact us.

Phone: 08456 30 60 60
01625 54 57 45

E-mail: please use the online enquiry form on our website

Website: www.ico.gov.uk

v1.0

02.08.06