



Auto-renewing contracts

In January 2022, the CMA secured undertakings from Microsoft to change its use of auto-renewal practices.

Some of Microsoft's products allow customers to access a library of games and play with others online. Memberships are typically entered into on an auto-renewal basis, meaning that they automatically renew at the end of each contract period and the customer is charged unless they actively take steps to stop the membership.

The CMA's investigation raised a number of concerns about certain features of these auto-renewing memberships, in particular:

- whether it was made clear to customers upfront that contracts would automatically renew;
- how easy it was to turn off automatic renewal; and
- whether subscribers may not have realised they were still paying for services they no longer used.

Microsoft has given a number of undertakings designed to address these concerns.

Firstly, it will provide more information upfront to help customers understand their membership – for example that the membership will auto-renew unless the customer turns off auto-renewal, when the membership will auto-renew, how much it will cost, and how the customer can receive a refund after an accidental renewal.

It will maintain a simple system for customers to stop the automatic renewal of their contract if they wish. It will also contact existing customers on recurring 12-month contracts and give them the option to end their contract and claim a pro-rata refund.

Where existing customers haven't used their memberships for a long time but are still paying for the service, Microsoft will contact these customers to remind them of how they can stop payments and, if they continue not to use their memberships, it will ultimately stop taking further payments.

Lastly, it must now give clearer notifications of any future price rises and ensure that customers know how to turn off auto-renewal if they don't want to pay the higher price.

It's clear from these undertakings, and from the CMA's recent activity more generally, that businesses are expected to be highly proactive and transparent in their use of auto-renewing consumer contracts. This is a big change for businesses that traditionally may have been reluctant to take these types of steps for fear of triggering subscriber churn.

All businesses offering automatically renewing memberships and subscriptions should take note of these undertakings and should be reviewing and updating their practices to ensure they comply with consumer law.