

Negative Option Rule Implementation

Form Submission Frequently Asked Questions

This FAQ reflects our current understanding and guidance based on what we know today. As we continue to receive clarification and updates, we are committed to keeping this information current and sharing any changes with our franchise community.

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Online Memberships

Will the click to cancel include a script to the clients providing them with freeze or bi-monthly options instead of cancelling?

This has not yet been scoped.

FTC Regulations

If Compliance is tracked via Irregular Transactions Report, it needs to be able to go directly to Manager, not just Owner.

Please review the [Action Guide for Managing the Daily Irregular Transactions Report.pdf](#)

Would Hand & Stone corporate please investigate and provide the requirements for each state regarding the enrollment fee refund? It would be more efficient and less costly than hundreds of owners having to pay legal counsel to research it.

We will investigate and communicate which states have a consumer right of rescission. We will not provide legal guidance and/or advice.

Say a member calls to cancel the same date as their payment date, do we refund the payment, or we just don't collect any more payments?

If a payment is mistakenly charged after you receive the request, the payment should be refunded.

What happens to Suspended members who owe after May 12th/14th? Do we have the right anymore to collect those billings prior to them asking to cancel?

For suspended members, no final payment can be collected.

Are we allowed to still send a termination immediate cancel form for client to sign as an internal document for each owner to have?

You can send a form for documentation, but only after the membership cancellation has been processed.

What about pre-paid memberships? If we sell a 6-month membership, what will change for those people who paid for the entire six months? If say 3 months in, and they do not want to continue to the next three months, are we forced to refund the money to them?

No, they are not required to refund money paid via a prepaid membership.

Are there any thoughts on reverting to a 12-month or specific month term? How would something like this be affected by the regulations, if at all?

No, we are not considering this.

Without having members fill a form out, how do we know that the person calling is the person cancelling?

You can send the form post cancellation. If it was done in error, you can reinstate the membership. You can also have them provide phone and email to confirm their identity.

Will this also apply to freezing memberships also?

A form can be required for a freeze.

If a client's account becomes suspended before they call to cancel, are we collecting that payment?

The cancellation should be processed immediately, no final payment.

Do you have any suggestions for how to handle situations where a member has multiple credits on their account, claims we didn't cancel their membership on time (even though that's not accurate), and then demand a refund for recent or even older payments under the new regulation?

I assume this is an issue that currently exists, and the Negative Option Rule won't impact this issue.

Is there a time requirement from the point in which the cancellation is requested to when it actually has to be processed?

24-48 hours. Most important is that no additional payment is processed.

What can we do to avoid being charged failure to comply fee. It's important each Spa knows exactly what to avoid so all staff will be aware of what not to do

This is covered in the training materials on the LMS.

Say a client calls today and wants to terminate their membership, but they have 20,000 points that they want to use. We would have to wait and put a note on their file, correct?

If they agree to postpone cancellation to use their rewards points, make it clear they will need to contact you again when they are ready to cancel. Send them an email for documentation.

Let's say someone signs up and their first payment doesn't go through. We usually give them 90 days to get into contact with us after we've called them and emailed them about their suspension. Will this mean that if their first payment doesn't go through we can immediately terminate their membership?

You can follow the same suspension protocol of 3 months.

Thoughts on how this will negatively impact attrition and how do we mitigate it?
As a system, we are already struggling with prospects, so this seems to be a double whammy.

Making cancellation easier and being more consumer friendly should help make their last day as easy as their first day and will hopefully help increase conversion rate.

If a cancellation is requested prior to their first payment, are they still required to make that first payment?

No, we cannot collect the first payment.

Just wanting to clarify that the legislation does not address the use of unused packages that have been previously charged, and any requirement to refund said packages.

Unused packages do not need to be refunded.

Cancellation Process and Guest Experience

We have received a lot of complaints that members didn't know about the 90-day policy, even after signing the cancellation paperwork. It seems like it will be a bigger issue with canceling on the phone without any documentation.

They will receive a cancellation confirmation that will review the usage of their credits and mention grace period. We also added a course on how to review the membership agreement at the time of sign up. Post cancellation you can send a form with their specific details.

If there can be no final payment, is there a grace or what should we do if a client calls the evening before their final payment when the Manager is already gone for the day. The payment will pull before the Manager returns to the spa, and it seems unlikely we will be able to rely on SAs to catch that 100% of the time.

If a payment slips through after you receive the request, the payment should be refunded.

The SMG cancellation option is essentially a "click to cancel." Can this option be eliminated from SMG so the members must contact the spa directly?

We have submitted the request to SMG to remove the membership cancellation option on our website contact us.

Since members after 5/12 will only receive a 60 day grace period, will they still have visibility of "available" prepaid services if they log-in as a member after the 60-day period? It seems like that would create some confusion.

Yes, they will have visibility. All memberships will continue to have a 90-day grace period until Zenoti delivers the enhancement to manage grace days at the membership level. Once that enhancement is in place, we'll be able to support a 60-day grace period for applicable memberships.

If we have a cancellation we processed today that has a final payment after the 12th is that ok?

Yes. It will be enforced based on when the cancellation is received, pre or post May 12th.

Does a voice message constitute "over the phone," or does it have to be a live person?

The request date would be the date of the voice message.

For example, we cancel someone today before the rule has started (say 5/1). That means they'd have a 30-day termination period according to our current policies to capture one more draft. Say that 1 more draft is after 5/12, do we need to cancel that draft?

No, if the cancellation is entered prior to 5/12, you can collect the final payment.

In the instance that a membership payment gets drawn after the request for cancellation, is there a specific refund grace period?

It should be refunded ASAP.

While we cannot require that clients complete the membership cancellation form, are we allowed to offer it as a copy for their records and ours?

Yes, only after the cancellation is processed.

"Guests will receive a confirmation email immediately after cancellation."

Will this email automatically be sent through Zenoti? Or will there be a template for us to use to directly send to the cancelled member after terminating their membership?

This is auto generated; you don't need to do anything.

With the new cancellation policy of not requiring a final bill date, if a client does not sign the termination form how do we navigate the situation. Do we cancel them without a signed form, or do we require a signed form and if they do not sign it before their next bill date it pulls? Just trying to figure out how to navigate with clients and making sure all our boxes are checked.

It must be cancelled without requiring them to complete a form. You can send the form, but it cannot be a condition of cancellation. If it is sent, it must be made clear that the membership was already cancelled, and you are asking for the form for documentation purposes.

What is the procedure if a member was on a 3 month freeze and requests to cancel immediately after with no EFT between?

We must honor that request with no additional payments being processed.

Why do freezes have to be done by managers only?

It is more the discussion about cancellation options that must be handled by the manager.

If the Manager is NOT available and the next payment is tomorrow. How are the Sales Associates supposed to handle those conversations with the client?

They would have to inform them, should a payment go through we will be sure to refund it.

What if I want my SAs to be able to cancel memberships without granting them the full permission of a Lead SA?

We'll be introducing a new role that sits between SA and lead SA. This role will mirror the current SA role but include permission to cancel memberships. As always, you have full control over assigning roles and permissions within your business. The role will be called Spa Associate Plus.

Is there a way to have more than one email address receive the cancellation request form? This would serve as a safety net. In the absence of a manager, the form could be sent to our assistant manager or another designated team member to help ensure we meet the 24- to 48-hour response window. Two email options would be helpful – three would be even better.

The cancellation notification can only be sent to one email address. By default, this is set to the manager's email account for each spa.

If a spa would like additional team members to receive the notification, an email forwarding rule can be set up within the manager's email account to automatically forward the message to other designated recipients.

Reward Points

Can we please discontinue the reward point program to offset the loss of revenue associated with the last payment? Data never supported that program by showing increased member satisfaction or longevity.

We will not be discontinuing the rewards program at this time.

Freeze Options & Comeback Offers

Are we still able to send freeze forms and bi-monthly forms for clients that do choose to take advantage of one of those options instead of cancelling?

Yes.

Will spas still be able to offer freeze and bi-monthly to canceling members, or once the request is made the cancellation process must be honored. Also, will this affect the Member Relationship Specialist position?

The options can still be offered, but they can't be a condition of cancellation. If they decline the options, cancellation must be processed immediately.

Will we have an opportunity to attempt to save before or after they cancel their membership online?

We are working on come back, always on, campaigns to send after their grace period ends as well as investigating whether we can offer an incentive to stay in the cancellation confirmation email.

Can we have an automatic email go out when we put a client on freeze that shows the freeze date, the monthly \$10 fee, and the date charges will resume? This is the source of a lot of complaints because clients forget about it. I don't want a client to say they asked us to cancel, and we put it on a freeze instead. We are looking into this. More information to follow.

How does the Negative Option Rule affect freezes? Our guideline is to have clients sign a freeze form, which helps in chargeback cases for the freeze fee by providing proof of agreement. But if a client doesn't sign and I don't process the freeze, I risk a \$79.95 chargeback. While I have the membership agreement as evidence, would that be considered non-compliant with the new federal regulation? If I freeze without a signature, I risk losing \$10 chargebacks over three months. I've even had signed forms and still lost chargebacks, so I'm concerned the current freeze structure could either increase chargebacks or lead to non-compliance, creating bigger financial risks.

We are working on an auto-freeze confirmation email, similar to the cancellation confirmation email, that will hopefully help alleviate some of this. Best practice would be to process the freeze without the form but still try to get the form back. You will have the email as proof that it was sent.

System and Membership Agreement Changes

How do we handle the gift card season when quite a few guests enroll for the membership for the discounts. Earlier we were at least collecting one payment. You can consider collecting an enrollment fee.

Will we need to get our current members to sign a new agreement form stating these changes?

No. Their original membership will remain in place and be honored.

"A 90-day grace period will apply to all memberships outside of California."
Since there will no longer be a final EFT collected, I thought this was being changed to a 60-day grace period. If not, why not?

There is a Zenoti request to embed the grace days directly in the membership settings. Once that is done we can allow for 60 grace days.

The membership forms say that written notice is required. Will corporate be changing the forms? What about existing forms with this verbiage? Will all members have to sign another form?

The membership agreement has been updated. We cannot require a form as a condition of cancellation.

Can we consider as a Brand making it so unused packages at cancellation must be used at the home spa?

Not considering at this time.

Will we need to proactively notify current members of this change, which you ignite cancellations, or will it simply be a change we communicate/enacted upon a cancellation request.

No need to proactively notify members.

What considerations have been considered regarding these requirements?

Example – upon signing up for the membership, will there be an option to charge the first payment immediately instead of the 30-day waiting period?

At this time, we are not changing the timing of the first payment. An enrollment fee would be a better option. We are working on standardizing the enrollment fee policy.

Why not have clients pay first month membership charge at the time of signing up?

We are concerned about the impact on conversion rate.

Not having a form for cancels creates lack of audit trail.

For documentation you can send the form only after the cancellation has been processed. We have created a new Membership Termination Summary form.

Will there be a consistent enrollment fee across the franchise?

Yes, we are working on a uniform enrollment fee policy.

What will be the grace period for clients to use the remaining packages on the account once we terminate the membership?

For now, 90 days for all. We have an enhancement request to embed grace days at the membership level so we can create a new membership with 60 grace days.

The Grace Period is currently 60 days in Zenoti for immediate cancels. Why are you changing this to 90 days? If you think we have to because we are changing the membership contract, I do not think that is a valid reason since we are already changing the contract because of this law change. It makes more sense to keep the grace period at 60 and not charge the membership up front which will probably impact conversion.

The membership agreement clearly states a 90-day grace period. After legal review, it was advised to offer 90-days even with immediate cancel.

Can we customize the cancellation email for California memberships?

No, Zenoti does not currently allow for separate email templates by state. We have revised the wording making it more generic to apply to all.

Can we set up a separate email inbox for cancellation requests and include that on the membership agreement?

This is not recommended. Creating a separate email address increases operational complexity and may expose sensitive information. It also poses a risk if that inbox is not actively monitored.

For the new agreement- is the email in there customizable? We have a member relations team and want to make sure their email in there so nothing falls through the cracks. Also, why isn't the bimonthly mentioned in the scripting for the webinar or training?

The email listed in the membership agreement is set by default as the spa's manager email. This can be updated under **Configuration > Contact Details** by editing the **Email ID** field.

The bi-monthly option wasn't included in training, as many spas no longer offer it. However, you may use it if preferred over the freeze option. We included the freeze step in the script because regulations specifically permit a "pause."

I don't recommend offering both options, as it can feel like a barrier to cancellation and may come off as overly sales-focused. Cancellation should remain simple and timely.

Zenoti & System Functionality

In Zenoti we can adjust the grace period by adjusting the cancel date. Is there a reason we can't use this for new memberships? Also, if this is adjusted will it change the cancelation letter that is sent to reflect this?

You can't back date the Cancel On date to move up the grace days. The grace days end date is not populated in the cancel confirmation email.

Could Zenoti add a "Client Cancellation Request" notification button, so that SAs who cannot execute the cancellation directly could notify management? Then auto generates a nightly report that is sent to the owner and manager with a list of these requests. Any functionality that simplifies the process for SAs to as little effort as humanly possible would be appreciated.

We have a Microsoft form for this in the new LMS catalog.

Can Zenoti make it so the cancellation date not be changed or edited?

We are submitting this as an enhancement request.

Will clients that opt out of hand and stone marketing and/or transactional emails still get this membership cancellation confirmation?

If they opt out of transactional emails, they will not receive it.

Can Zenoti be configured to support California's post-cancellation credit rules?

Not at this time. Zenoti does not allow service credits to be automatically applied toward guest pricing after the 90-day grace period. The current workaround requires tracking expired credits manually in the notes section.

Is it possible to keep service credits active past 90 days but restrict them to guest pricing and home spa use only?

No, this functionality is not currently supported in Zenoti. A feature request would need to be submitted for consideration in a future update.

Will clients who check out during the 90-day grace period after cancellation affect conversion metrics in Zenoti?

No changes are being made to this behavior. Clients who check out during the 90-day grace period are still considered prospects in the system and will be counted in conversion reporting as such.

Training & Front Desk Procedures

"Cancellation must be allowed by phone or online - no in-person or form required." What does this mean operationally? Will we have to train the SAs on how to try to "save" a member? Or maybe a single person will need to be designated on each shift as the membership cancellation person so he or she can be trained on how to present alternatives to cancellations?

This is all covered in the LMS training course covering the Negative Option Rule.

Will we be receiving the new updated membership agreement before May 12th, so we are properly able to train our front desk? It would be difficult to do that if we only got to see the form on May 12th as we are signing up a new member and they do not even know what they are telling the client.

Yes, we will distribute the new membership agreement prior to 5/12.

If management cannot get ahold of client within 24hrs of initial cancellation request, client unavailability not management, does the cancellation still need to be processed within 24hrs after initial request?

The key is not to let another payment process.

If the client never signed the membership agreement prior to May 12th, do we still have to give them a 90-day grace period upon cancellation?

Check the membership sale date for assessing grace days. At this point all cancelled members receive 90 days.

When will Zenoti be implementing the 60-day cancellation fix?

Zenoti is currently working on an enhancement to manage grace days at the membership level.

If a client requests cancellation the same day their monthly credit is charged, why would we have to refund the credit if we have 24hrs to cancel upon request?

Inform them that the EFT was already processed, but their next monthly EFT will not occur. If they push back, the best practice would be to refund the credit, as the stakes are high.

How will the 'breaches' be shown in irregular transaction reports?

Will identify edits to the cancel date.

If Spa Associates need to use the manager JotForm because the manager is off-site or unavailable, does the manager or designated person have 24 to 48 hours to follow up with the guest?

The 24- to 48-hour follow-up is considered best practice. However, the most important priority is to ensure that no additional payment is processed once the cancellation request has been submitted.