Blockbuster Accused of Violating N.J. Law

By JEFFREY GOLD, AP Business Writer

NEWARK, N.J. - The state of New Jersey claims Blockbuster Inc., the nation's largest movie-rental chain, has violated the state's consumer protection laws with its new policy on late fees.

In a lawsuit filed Friday, the state charged that Blockbuster failed to disclose key terms in the policy, including that overdue rentals are automatically converted to a sale on the eighth day after the due date.

The state is seeking restitution for customers whose overdue rentals were converted to a sale. It also wants compensation for people who were charged late fees by stores that were not participating in the new policy, but that failed to make that obvious.

State Attorney General Peter C. Harvey on Friday called the company's advertising and marketing "deceptive." He said state investigators began visiting dozens of the 170 Blockbuster stores in New Jersey even before receiving a complaint, and found that employees gave misleading or erroneous information on the policy.

To date, one aggrieved consumer has contacted the state, Harvey said, adding, "We will be flooded with complaints from people who will tell us this is their experience, too."

The lawsuit was filed in state Superior Court in Trenton.

In a statement, the Dallas-based chain said it has "taken a number of very thorough steps to let customers know how our new program works. Blockbuster has trained store employees on how to effectively communicate the program to customers, both on the sales floor and at checkout."

The stores also have free brochures explaining the program, the company said.

Blockbuster eliminated late fees on games and movies starting Jan. 1, although customers who miss a one-week grace period will be billed for buying the item or charged a $1.25 restocking fee. The company said due dates at its 4,600 U.S. stores would remain one week for games and two days or one week for movies.

Additionally, about half of 1,100 Blockbuster stores that are operated by franchisees are participating in the program, company spokesman Randy Hargrove said.

Harvey, however, said some stores displayed signs touting "The end of late fees" but were not participating.

Hargrove said that only franchise stores have the option not to participate. "I'd love to be able to know which stores he was talking about to see if he was accurate," he said.

Renters who keep the movies or games beyond the grace period will be charged for purchasing the DVD or tape at Blockbuster's full retail price, minus the rental fee, the company said. If they return the movie or game in the next 30 days, they will get a refund for the purchase but will be charged a restocking fee of $1.25, the company said.

Blockbuster shares rose 5 cents to $9.13 in midday trading on the New York Stock Exchange (news - web sites). Its shares are up from a 52-week low of $6.50 last fall. ___

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