When a Store Goes Out of Business

A woman ordered a dining room set from a department store, and paid $900. When she called to see if the furniture had arrived, she found out the store had filed for bankruptcy. The store said it could not get the furniture for her, or a refund. The only thing it offered was a voucher for other merchandise in the store, none of which she wanted.

When a store shuts down, consumers can get hurt. They can lose their deposits on ordered merchandise or the money they’ve paid into a layaway agreement. Gift certificates or store credit may become worthless. “Going out of business” sales sometimes don’t offer the bargains they promise.

How to Contact a Closed Business

When a department store or a chain of stores closes, you usually hear about it in the news. The store may remain open for a certain period of time, having a “going out of business” sale. The store may still have people answering phones to explain what customers who are owed merchandise or deposits should do.

However, small businesses such as dry cleaners and repair shops sometimes close without warning. Customers arrive to pick up their clothes or other items and see a dark store with a sign that reads “Closed” or “Out of Business.” In this case, how does a consumer contact the owners to retrieve items or get a deposit back?

First, see if the store posted any instructions for customers. If not, ask nearby shops if they know how you could contact the owner. The landlord who owns the building, retail strip or mall may also have that information.

If that doesn’t work, check with the Post Office to see if the company has a forwarding address. You can check with the county clerk’s office to find out the names and addresses of the “principals” (owners and officers) of the business. Also, the Better Business Bureau or the Attorney General’s Consumer Protection Division may have information about the business and what happened to it.

When the Store Owes You Money or Merchandise

Closing the business does not relieve the owner of his or her obligation to you. Many stores try their best to provide the merchandise promised to customers who placed orders and made deposits. Talk with the store’s owner about what can be done.

If the store has filed for bankruptcy, you should file a claim with the U.S. Bankruptcy Court where the business filed for bankruptcy. You will be one of many creditors who are owed money by the store. Unfortunately, if the store has filed for bankruptcy, it is unlikely it has the money to repay all its creditors, so you may receive only some, or none, of your deposit. However, it is still wise to file a claim.

If the store has not filed for bankruptcy, you can take the business to court, but collecting a judgment can be very difficult, time-consuming, and expensive.

If you paid for your merchandise by credit card, you can request a refund of your deposit from the credit card issuer. The procedures to request a “chargeback” are explained on the back of your credit card statements.
Prevent Problems by Paying Small Deposits
When you order merchandise that will be delivered in the future, such as furniture or a bridal gown, a store usually asks for a deposit. However, there is no law governing how much of a deposit – if any – you must pay. Always ask the retailer what the minimum deposit they will accept.

Protect your deposit by paying it with a credit card. Laws regulating credit card issuers provide you with safeguards if the business fails to deliver the merchandise.

If a Store Closes with Your Item Inside
If a store closes with something of yours inside, such as an appliance brought in for repair, or clothing that was to have been dry-cleaned, try contacting the owner. If that doesn’t work, contact the Consumer Protection Division.

Going Out of Business Sales
You may be able to pick up some good bargains at a “going out of business” sale. But sometimes, the only “bargains” are on shoddy merchandise improperly brought in by a liquidation company hired to take over the operation of the close-out.

Maryland law provides that a “going out of business” sale can last no more than 60 days. This law covers all sales at store locations discontinuing their operation, including close-out sales, liquidation sales, or lost-our-lease sales. The store must take inventory of all the items to be sold, and the retailer cannot restock the shelves with new merchandise for the purpose of the sale. However, a Bankruptcy Court may sometimes allow a store to bring in new merchandise or conduct a sale for more than 60 days.

To protect yourself:

- Check the merchandise to make sure it is the same quality as merchandise you have bought at the store previously.
- Don’t assume you’re getting bargain prices. Comparison shop elsewhere to be sure. Some businesses have increased the prices on items sharply just before the sale, so they could then mark them down and claim that they were offering huge savings.
- Ask about the refund policy. Often all sales will be final, or only exchanges will be allowed. Therefore, examine what you want to buy carefully for signs of damage, and make sure copies of any warranties are included.
- Ask about service after the sale. Read warranties to see if there are other places you can take the item for repair or service if needed.

How to Contact Us
Consumer Protection Division
200 St. Paul Place, 16th Fl., Baltimore, MD 21202

- General Consumer Complaints: 410-528-8662
  Toll-free: 1-888-743-0023  TDD: 410-576-6372
  9 a.m. to 3 p.m. Monday-Friday
  www.marylandattorneygeneral.gov/Pages/CPD/

- Health Consumer Complaints: 410-528-1840
  Toll-free: 1-877-261-8807  TDD: 410-576-6372
  9 a.m. to 4:30 p.m. Monday-Friday
  www.marylandcares.org

- For information on branch offices in Largo, Salisbury, Hagerstown, and a full list of offices across Maryland, visit: www.marylandattorneygeneral.gov/Pages/contactus.aspx

The Consumer’s Edge is produced by the Maryland Attorney General’s Office. Reprints are encouraged.

MARYLAND ATTORNEY GENERAL
BRIAN E. FROSH

www.marylandattorneygeneral.gov