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That will be \$500 please!

Citation for published version:

Hogg, M, *A negative review of our hotel? That will be \$500 please!*, 2014, Web publication/site, Obligations Law Blog. <<http://www.obligations.law.ed.ac.uk/2014/08/07/a-negative-review-of-our-hotel-that-will-be-500-please/>>

Link:

[Link to publication record in Edinburgh Research Explorer](#)

Document Version:

Publisher's PDF, also known as Version of record

Publisher Rights Statement:

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A negative review of our hotel? That will be \$500 please!

Posted on August 7, 2014 by mhogg

A remarkable story appears [here](#) in today’s Daily Telegraph newspaper about a US hotel which charges guests a \$500 “fine” for every negative review posted online by them, or anyone in their party, about the hotel. The hotel’s website warns prospective guests as follows:

“If you have booked the Inn for a wedding or other type of event anywhere in the region and given us a deposit of any kind for guests to stay at USGH there will be a \$500 fine that will be deducted from your deposit for every negative review of USGH placed on any Internet site by anyone in your party and/or attending your wedding or event.”

This isn’t a classic penalty clause, as it’s not a sum stipulated to be paid upon breach of contract, but it’s certainly something that would put most contractors “in terrorem”, to use the Dunlop Tyres case language, this blogger should have thought.

Whatever the legality of this purported fine in US contract law, assuming that the posted warning became a term of the contract it would be the sort of clause which would, if this were a Scottish or English case, be very likely to be struck down by the Unfair Terms in Consumer Contracts Regulations 1999 – Regulations which strike non-negotiated, unfair terms out of contracts. A term is “regarded as unfair if, contrary to the requirement of good faith, it causes a significant imbalance in the parties’ rights and obligations arising under the contract, to the detriment of the consumer.” A clause designed to prevent the customer from publicly recounting a poor level of service would, in this blogger’s view, qualify as one causing a significant imbalance in the parties’ relationship.

Safe to say, this blogger won’t be staying at the hotel in question any time soon on a visit to the US!

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