

FIT TO BE FIT

EACH YEAR ALMOST 1 MILLION AMERICANS JOIN
BALLY TOTAL FITNESS, THE NATION'S NO. 1 HEALTH
CLUB CHAIN. SOME SAY THEY'RE NOT JUST GETTING
A WORKOUT—THEY'RE GETTING WORKED OVER.

BY STEPHANIE WILLIAMS | PHOTOGRAPH BY WILLIAM MERCER McLEOD

D



STRUNG OUT: To David Rolfe, Bally's contracts seemed deliberately deceiving.

IT ALL STARTED LAST SUMMER, WHEN MICHELLE GARCIA AND SIX OF HER

friends decided to lose some weight. Living in San Antonio, they had plenty of gyms to choose from, but a sales rep at one—Bally Total Fitness—said he had an offer that was too good to pass up: They could join for just \$30 a month and quit with only a month's notice. "When we heard that, we were hooked," Garcia says.

The offer, though, wouldn't last long, and the sales rep was urging them to join right away. But when Garcia, a 29-year-old human resources manager, didn't sign up with her friends, the rep called her office and insisted on sending an assistant over with the paperwork.

Bally must be really desperate for business, Garcia thought. She was about to sign the contract when she noticed that it included a \$1,200 "joining fee" to be financed over three years. She signed and sent it back, but not before marking out the joining fee and writing "for month-to-month contract *only*" beneath her signature. The sales rep called about 10 minutes later.

"What are you doing?" Garcia says he asked her. "You can't sign like that."

"Then send me a month-to-month contract," she replied.

"I can't do that," he said. "They're being printed. Until we get them, sign a standard contract. I'm not trying to cheat you."

"Okay, I'll sign," Garcia said. "But don't screw with us. We won't be afraid to go to court over this."

Garcia never thought it would come to that. But after the month-to-month contracts never arrived, she began to wonder. Flustered, Garcia called Bally's headquarters in September to end her membership. She says a service rep laughed at her request and told her to forget it. "No matter what," Garcia says he told her, "we're going to get that money from you."

And he wasn't kidding. At first, Garcia says, she would receive a call from Bally once a week badgering her to pay up. But soon the calls starting coming every evening, each one more ominous than the last. "They'd tell me that my good credit would be ruined if I didn't pay," Garcia says. "Later, they would say, 'We need that money

and we are going to get it.'"

Once Garcia's friends heard what was happening, they wanted out too, but got nowhere. Bally's billing reps not only insisted that they pay up, they also began phoning the women at home and work. Sylvia Ramirez says Bally even left a message with her nine-year-old, saying Mommy "is behind" and "needs to pay." The little girl was so worried, she offered up her piggy bank.

Finally, Garcia and her friends hired an attorney and say they plan to sue Bally to get the company off their backs. "I'm upset with myself and I'm also mad at them," Garcia says. "All I wanted to do was lose some weight." (Bally refuses to comment about Garcia and her friends' experiences specifically, but argues that all the member complaints included in this article are "in most cases, factually inaccurate, and in other cases, misinterpretations of fact.")

A long life and a slimmer waistline—that's what we all want, isn't it? And Americans are increasingly turning to Bally, the country's largest health club chain, to get it. Already, 4 million people are on its club rosters—more than its six largest competitors combined—and if Bally has its way, you'll be next. The company, out to make itself the Starbucks of sweat, is adding some 40 facilities a year to the nearly 400 clubs it already has in 28 states and Canada.

With that kind of expansion, Bally is a natural first stop for the 8 million Americans who shop for health clubs each year. One visit to a Bally health club and you'll see why so many people sign up to "spin" one of its stationary racing bikes or soak in a hot tub. Not only are Bally's facilities furnished with ultramodern fitness equipment, many also provide such country club luxuries as child care and sports medicine centers. And with many metropolitan areas boasting several facilities apiece, Bally's clubs are seldom more than a short drive away.

But as almost 1 million people flock to Bally each year, some are coming away with horror stories of being worked over by the fitness giant. Among their complaints: membership contracts loaded with finance charges; egregious billing errors; harassing

early morning phone calls from surly bill collectors; threats of ruined credit.

That's not what you bargain for when you join a health club, but many people have no clue what they're getting into when they sign up with Bally. Despite what some Bally salespeople may tell you, the company does not sell yearly memberships, much less month-to-month contracts that you can walk away from. Most people who join Bally sign its standard membership contract and are roped into financing its \$1,200 or so joining fee over three years—at 18 percent interest. And as Garcia and her chums discovered, the joining fees are so crucial to Bally's financial success—it derives much of its revenue from them—that the fitness chain will make you pay up even if you remain a Bally member for just a few days.

Bally sees this setup a little differently. Dave Southern, the company's vice president of public and investor affairs, insists that Bally's contracts are month-to-month. "People can elect to no longer be a member at any time, and they can elect to no longer pay monthly dues at any time," he says. "However, if they still have a balance under their joining fee that they've financed, they're not relieved of that responsibility unless they meet certain criteria that are spelled out in our contract." Bally charges the joining fee, Southern says, to give customers access to its top-notch facilities and insists that it's nothing out of the ordinary.

Although members gripe about the joining fees—and several other of the company's practices, such as its hardball sales tactics—Bally appears to take the complaints in stride. With approximately "125 million visits to our facilities each year, on occasion, misunderstandings, disagreements or complaints will inevitably arise," Southern says. "We desire to resolve all complaints quickly and to the satisfaction of our members whenever possible."

Just try to explain that to someone who has joined Bally and tried to get out. Even if you play by its rules, you're going to have a difficult time parting ways with the compa-

PHOTOGRAPHS BY PETER ROSS



ny. Michelle Bloess wrote Bally a \$323 check in June 1996 to pay off her joining fee, but that following August, the fitness company charged her credit card \$308 for no apparent reason. Then, several months later, Bloess says Bally hit her up for another \$5 and then \$19. Bloess, who was then a 19-year-old college student, fired off 20 letters to the company and finally received a partial refund a year later.

Call it wishful thinking, but Bloess believed that she had ended her dealings with Bally. Then last year she and her husband tried to buy a house. On her credit report was an overdue bill from Bally for \$577—her unpaid membership balance plus interest. The blemish ended her hopes of landing

a mortgage. “I’ve sent Bally letter after letter to correct this,” she says. “But they keep telling me that I’m not in their computer system. It’s like I don’t exist.”

Some Bally members have relocated and tried to escape its grasp, with no luck. Linda Hodges, a 26-year-old schoolteacher in Missouri, joined Bally five years ago, and a sales rep told her she could end her membership if she moved 25 miles away from the company’s nearest club. Shortly thereafter, Hodges accepted another job and moved 160 miles away from the nearest Bally. When she called Bally’s headquarters to end her membership, a service rep told her to send a copy of her new lease and a check for \$50. But weeks later, Hodges received

a letter saying the lease wasn’t enough. So she called Bally again, and a rep told her to fax over a copy of her utility bill.

This time, Hodges heard nothing—for years. “Then suddenly, I get letters from a collection agency asking for \$500, plus interest,” she says. She called Bally and explained that she’d gotten out of the contract.

“Read your contract,” she says the rep said. “If you didn’t get a confirmation letter from us, your account wasn’t canceled.”

Hodges convinced the rep that the mix-up wasn’t her fault, and Bally’s letters stopped, at least for a while. But Bally had sold her debt to Perimeter Credit, a collection agency in Atlanta. Hodges says that she received letters from Perimeter last fall

GUN FOR HIRE:
Zena Skipper admits
badgering Bally's
members to pay up.



telling her that she owed \$500 and that her wages would be garnished.

When Hodges tried to explain, she says, the rep cut her off. “I know your problem,” she told Hodges. “But too bad.” A call to Bally also got her nowhere. “They told me that I was no longer in their system,” Hodges says. Despite all her protests, Hodges still has a tarnished credit report that stems from her Bally account. “After five years, I’m too worn down to keep fighting them,” she says.

State and federal regulators have long been wise to some of Bally’s business practices but have had a tough time trying to stop them. In the early 1990s, the attorneys general of Massachusetts, Washington and Wisconsin sued Bally for numerous violations, including lying about contracts, using bait-and-switch tactics, overbilling and harassing people during debt collection. The Federal Trade Commission sued Bally in 1994 over similar charges. Each time, Bally settled the case without admitting any wrongdoing.

But despite paying \$420,000 in civil penalties and agreeing to straighten up, Bally is still doing business as usual, according to regulators. “For the last decade, nothing

[at Bally] has changed substantially,” says Dan Parsons, the executive vice president of the Better Business Bureau of Houston. In fact, the Florida attorney general investigated Bally in 1997 for several charges, including harassing people to collect money. It eventually dropped its case but turned its files over to the FTC. Bally was never charged in that investigation, although Perimeter Credit was fined \$300,000 by the FTC last year. “[Bally] is like the Energizer Bunny,” says Eric Friedman, investigative administrator with Maryland’s Montgomery County Division of Consumer Affairs. “The FTC knocks them down; they pop right up. Wisconsin’s [attorney general] hits them; they pop right up. . . . Nothing stops them.”

Bally insists that it doesn’t deserve such a notorious reputation. Admitting that Bally has occasionally run afoul of the law, Southern says the company has done an about-face since Lee Hillman, a former chief financial officer at Bally Entertainment—its former parent company—became chief executive of the chain in 1996. Southern points out that the Florida attorney general dropped its case and that problems included in the investigation were caused by the company’s old regime.

“[Opening] an investigation itself does not actually mean that there was anything being done improperly by the company,” Southern says. “We have made tremendous progress in improving all aspects of our business over the past four years.” John McCarthy, the executive director of the International Health, Racquet & Sportsclub Association, concurs: “[Bally] is setting ethical and value standards for the entire industry because they are so sensitive to the issues.”

IF YOU HAVE EVER owed money on a Bally account, chances are you have received a call one evening from Zena Skipper or one of her colleagues at Perimeter Credit. As a debt collector for two years, Skipper says that her associates threatened, harassed and sometimes cursed at Bally’s members to get them to pay up.

Skipper also says that some Bally employees taught them how to collect. “When we had trouble collecting from someone, we’d ask for help from our managers,” she says. “They would call Bally and get glitches to nail people with.”

It was a Bally rep, for instance, who taught Skipper how to get around the three-day cancellation clause included in its standard contract. “Tell them, ‘You have three days to cancel,’” Skipper says the Bally rep told her. “‘If you can show me the return receipt proving that you canceled within three days, I’ll be happy to take care of it for you. If you don’t have it, you owe the money.’” Since you have to request a receipt from the post office, many Bally members never received one. (Southern says that he cannot account for individual discussions between Perimeter and Bally reps, but notes that as a matter of policy, Bally does not sell a delinquent account unless the company is sure that the member owes it money.)

Several of Bally’s other tactics kept Skipper up at night. “Bally even had a mentally retarded guy sign a contract,” she says. “They told me that I had to collect from him. And there were plenty of contracts bearing a signature that matched the handwriting of the salesperson. The number of forgeries was just incredible. I think what Bally did was rotten.”

But no one was around to stop it. Skip-

per insists that Perimeter's top brass was fully aware that its collectors would curse at Bally's members over the phone and did nothing to prevent it. "As long as [Perimeter] didn't get an attorney general complaint, they didn't care," she says.

Skipper left Perimeter in 1997 because she was guilt-ridden, she says. For its part, Perimeter says Skipper's allegations are untrue, adding that the company gets no direction from Bally regarding its collection operations. Bally refused to comment on Perimeter since it is a separate company.

Bally also insists that salespeople misleading prospective new members is part of its past. One of Bally's goals under Hillman is to stamp out confusion over its contract. As evidence of the company's dedication to this, Southern says that Bally has begun tracking salespeople "to better identify potential problems."

The practice may eventually shape up Bally's sales team, but some club members say that day is not yet here. Just ask newlyweds David Rolfe and Mary Farrell. When

lose wasn't five bucks; it was almost \$2,000.

And the contract itself was a piece of work that amazed Farrell, a 32-year-old lawyer who'd emigrated from Ireland just days earlier. "How can this be legal?" she asked her husband, shaking her head about how one-sided the contract seemed.

"It's clearly intended to trap people," Rolfe said.

Farrell sent a certified letter, in 18-point type, demanding to be let out of the deal. Weeks later, instead of a confirmation, she received . . . an *invoice*. She was horrified. A second certified letter finally did the trick, but Rolfe still shudders at the experience. "We are among the very few to escape [Bally's] clutches," he says. "I put together complex computer systems and my wife is a lawyer, and we only just caught it. The average Joe has no hope in hell."

STUCK IN A Bally contract, do you have *any* recourse? Health clubs, and other companies that charge their clients relative-

in Connecticut have yet to be certified and Bally has motions to dismiss both suits.)

Others have tried to hit Bally where it hurts: in the court of public opinion. When a desperate consumer complains to the FTC, a state attorney general or a Better Business Bureau, it casts a spotlight on the company's practices—and Bally will usually settle the disputes. One venue that has caught Bally's attention is Web sites formed by disgruntled members. Bally sometimes offers to resolve members' complaints after they've posted them on one of these sites.

After battling Bally for more than a year, Ingrid Geronimo may be willing to give that a try. Like 70 percent of Bally's members, Geronimo, a 42-year-old software trainer in Saddle Brook, N.J., authorized the fitness chain to withdraw money electronically from an account through a funds transfer. When Geronimo notified Bally last year that she was switching debit cards, the company began siphoning money from her checking account—all the while sending her letters that she was delinquent.

'[BALLY] IS LIKE THE **ENERGIZER BUNNY,**' SAYS ONE REGULATOR.
'THE FTC KNOCKS THEM DOWN; THEY POP RIGHT UP . . . NOTHING STOPS THEM.'

the couple dropped by a Bally near their home in the San Francisco Bay area last summer, an employee stopped them when they came through the door.

"We've got a special offer," they say the salesman told them. "The price will go up soon, but to lock it in for three days, you can fill out this form and give us five dollars."

The couple weren't usually susceptible to the hard sell, but the offer didn't sound half bad. "What have we got to lose?" Rolfe said, shrugging. "It's only five bucks."

It wasn't until later that evening that they sat down on the sofa and read the form—and realized they'd been bamboozled. The piece of paper that Farrell had signed *was* the contract, and "three days" was the time she had, under California law, to *break* it. The couple did some quick figuring and determined that what they had to

ly small amounts, know most lawyers won't take a case for such pocket change and seldom fear being dragged to court. One way around this is a class-action lawsuit, where a number of people band together against a common defendant. The problem is that many complaints against Bally are so varied that they may not be accepted by the courts under one lawsuit.

Nonetheless, Bally members in Texas and Connecticut have filed class-action lawsuits against the company to challenge clauses in the contract. "It's got to happen on a state-to-state level that violations are caught," says Daniel Blinn, the attorney handling two Connecticut cases. "It took class-actions to get the tobacco industry to change its tune." (Southern says that since the Texas lawsuit is pending, Bally cannot comment on it. He adds that the two cases

Geronimo says she spent countless hours on the phone with billing reps. "I don't understand what the problem is," she told them. "You're getting your money."

At last, a rep told her, "The only way you're going to get this corrected is if you go ahead and pay us in full."

So Geronimo scrounged up \$600. But even now, a year after paying the account off early, she can't get this "delinquency" off her credit reports. She keeps getting billed for things like "renewal notices," and continues to pay. "I am afraid to *not* pay them," she says.

And she's apparently not alone. One day, Geronimo noticed a colleague sobbing at her desk. Turned out, she was having similar problems with Bally. "It created a bond between us," says Geronimo. "We're Bally refugees." **SM**