

SENATE BILL REPORT

SB 5331

As Passed Senate, March 12, 2001

Title: An act relating to collection of business to business debts.

Brief Description: Modifying collection of business to business debts by collection agencies.

Sponsors: Senators Kline, McCaslin, Johnson and Long.

Brief History:

Committee Activity: Judiciary: 1/29/01, 2/26/01 [DP].

Passed Senate: 3/12/01, 44-0.

SENATE COMMITTEE ON JUDICIARY

Majority Report: Do pass.

Signed by Senators Kline, Chair; Constantine, Vice Chair; Costa, Hargrove, Johnson, Kastama, Long, McCaslin, Roach and Zarelli.

Staff: Dick Armstrong (786-7460)

Background: All collection agencies must be licensed by the Department of Licensing and are subject to state laws governing the manner in which debts can be collected. A collection agency may not collect anything other than principal and reasonable interest, collection costs specifically authorized by statute, and attorney's fees and court costs if there is a lawsuit.

There are specific statutes authorizing reasonable collection costs agreed to in a contract to be added to the amount collected in the case of retail installment contracts, credit card debts, obligations owed to credit unions, and obligations owed to public and private institutions of higher education. State and local governments are specifically allowed to add a collection fee when using a collection agency of up to 50 percent of the first \$100,000 of unpaid debt, 35 percent of the unpaid debt over \$100,000, and 100 percent of amounts under \$100.

There is currently no specific statutory authorization to collect collection costs for obligations owed by one business entity to another.

Summary of Bill: In the case of commercial claims, a collection agency may also attempt to collect collection costs and fees authorized by written agreement between the debtor and creditor, as long as the total collection costs charged do not exceed 35 percent of the amount of the original claim. "Commercial claim" is defined as an obligation arising out of an agreement relating to a transaction not primarily for personal, family or household purposes.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: There is a discrepancy between the extension of credit and the collection of credit in business-to-business financial contracts. Current law does not allow for the recovery of such collection costs. The law should be changed because the costs of such transactions are now being passed on to consumers. Current statutes allow for the collection of such costs in a number of areas, including state and local government, credit unions, and retail installment contracts.

Testimony Against: None.

Testified: PRO: Christina Trott, Washington Collectors Association.