

FINAL BILL REPORT

SSB 5704

C 484 L 93

SYNOPSIS AS ENACTED

Brief Description: Penalizing unlawful factoring of credit card transactions.

SPONSORS: Senate Committee on Law & Justice (originally sponsored by Senators Prentice, Moore and Amondson)

SENATE COMMITTEE ON LAW & JUSTICE

HOUSE COMMITTEE ON JUDICIARY

BACKGROUND:

A business that wishes to accept credit cards from its customers must first enter into a merchant agreement with a financial institution. Credit card factoring occurs when a business that has a merchant agreement (the factor) processes the credit card transactions of a second business that has been unable or unwilling to obtain its own merchant agreement. In return, the second business pays a fee to the factor, which often is based on a percentage of the credit sales processed.

It has been reported that certain disreputable operators use factoring in connection with schemes to defraud or deceive consumers. These deceptive transactions can produce significant losses to consumers who do not receive bargained-for products or services, and to financial institutions who must reimburse injured consumers.

It has been suggested that criminalizing factoring used to facilitate unfair or deceptive trade practices would help to reduce the operations of disreputable businesses in this state.

SUMMARY:

Unlawful factoring of credit card transactions is established as a class C felony.

A person commits the crime of unlawful factoring if, with intent to defraud a cardholder, credit card issuer or financial institution, he or she causes any such person or persons to suffer monetary damages that in the aggregate exceed \$1,000, by (a) processing the credit card transactions of another, (b) causing a person to process the credit card transactions of another, or (c) causing a person to become a merchant for the purpose of processing the credit card transactions of another.

VOTES ON FINAL PASSAGE:

Senate	47	0	
House	98	0	(House amended)
Senate			(Senate refused to concur)

Conference Committee

House	96	0
Senate	43	0

EFFECTIVE: July 25, 1993