

HOUSE BILL REPORT

HB 2609

As Reported By House Committee On:
Judiciary

Title: An act relating to notices of dishonored checks.

Brief Description: Allowing agents to give notice of dishonored checks.

Sponsors: Representatives Carrell, Constantine, Mulliken and G. Chandler.

Brief History:

Committee Activity:

Judiciary: 2/3/00 [DP].

Brief Summary of Bill

- Expands the scope of persons who have a right or remedy for a dishonored check.

HOUSE COMMITTEE ON JUDICIARY

Majority Report: Do pass. Signed by 12 members: Representatives Carrell, Republican Co-Chair; Constantine, Democratic Co-Chair; Hurst, Democratic Vice Chair; Lambert, Republican Vice Chair; Cox; Dickerson; Esser; Kastama; Lantz; Lovick; McDonald and Schindler.

Staff: Chad Barnes (786-5793); Bill Perry (786-7123).

Background:

Article 3 of the Uniform Commercial Code applies to negotiable instruments. A check is a negotiable instrument, and is defined as a draft payable on demand and drawn on a bank, a cashier's check, or a teller's check.

If a check is dishonored due to nonpayment or nonacceptance, only the payee and the holder of the check have a remedy. The payee or the holder of a dishonored check is entitled to collect a reasonable handling fee. The holder of a dishonored check is also entitled to additional remedies if a notice of dishonor is sent to the drawer of the

check and an affidavit of service is retained. These remedies include the cost of collection, interest, attorney fees, and damages of \$300 or three times the face amount of the check, whichever is less.

Summary of Bill:

The rights or remedies of a payee or the holder of a check may be assigned to an agent, assignee, or endorsee.

A notice of dishonor may be sent by a person other than the holder of a check.

The agent, assignee, or endorsee of the holder of a check may retain the affidavit of service on behalf of the holder.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: Collections agencies frequently send a notice of dishonor on behalf of their clients. This bill clarifies that existing business practices are legal.

Testimony Against: None.

Testified: Judy Warnick, Washington Collectors Association.