

# HOUSE BILL REPORT

## HB 1126

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### As Passed Legislature

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

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

**Sponsors:** Representatives O'Brien, Benson, Hatfield, Ogden, Esser, Murray, McIntire, Miloscia, Barlean and Roach.

### Brief History:

#### Committee Activity:

Financial Institutions & Insurance: 1/30/01 [DP].

#### Floor Activity:

Passed House: 2/27/01, 98-0.

Passed Senate: 4/12/01, 45-0.

Passed Legislature.

### Brief Summary of Bill

- For commercial claims, a collection agency can receive collection costs and fees up to 35 percent of the commercial claim.

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### HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

**Majority Report:** Do pass. Signed by 11 members: Representatives Benson, Republican Co-Chair; Hatfield, Democratic Co-Chair; Bush, Republican Vice Chair; McIntire, Democratic Vice Chair; Barlean, DeBolt, Keiser, Miloscia, Roach, Santos and Simpson.

**Staff:** Thamas Osborn (786-7129).

### Background:

Collection agencies, including out-of-state collection agencies, are regulated by state law and must be licensed by the Department of Licensing. A collection agency cannot collect any sum other than principal and allowable interest, collection costs specifically authorized by statute, and attorney's fees and court costs in the case of a lawsuit.

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**Summary of Bill:**

For commercial claims (i.e., claims between businesses), in addition to other authorized amounts, a collection agency may also collect any costs and fees authorized by written agreement between the debtor and the original creditor. However, total collection costs cannot exceed 35 percent of the commercial claim.

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**Appropriation:** None.

**Fiscal Note:** Not Requested.

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

**Testimony For:** Under current law, collection fees cannot be charged with respect to the collection of a commercial debt. This often precludes a commercial creditor from using a collection agency, since the creditor must pay the collection fees, which, in turn, increases the cost of doing business. The only other option for the creditor is to bring legal action, which is also very expensive for the creditor. This makes debt collection particularly difficult for small businesses.

The proposed bill allows costs and collection fees to be collected from a commercial debtor, and thus relieves the creditor from bearing the financial burdens which accompany collection actions. Accordingly, this bill is particularly beneficial to the small businessperson who is trying to collect on a commercial debt. The 35 percent fee limitation is about average as compared with other states.

**Testimony Against:** None

**Testified:** Christina Trott, Washington Collection Association; Mark Gjurasic, Washington Collection Association; and Lance Colvin, National Association of Credit Management.