

HOUSE BILL REPORT

SB 5331

As Reported by House Committee On:
Financial Institutions & Insurance

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

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

Sponsors: By Senators Kline, McCaslin, Johnson and Long.

Brief History:

Committee Activity:

Financial Institutions & Insurance: 3/27/01 [DP].

Brief Summary of Bill

In the collection of commercial debts between businesses, a collection agency may obtain collection costs and fees for up to 35 percent of the original claim.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass. Signed by 12 members: Representatives Benson, Republican Co-Chair; Hatfield, Democratic Co-Chair; Bush, Republican Vice Chair; McIntire, Democratic Vice Chair; Barlean, Cairnes, 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.

There is no statutory authority specifically addressing the collection of debts owed by one business to another. Thus, due to the absence of the requisite statutory authorization, collection costs cannot be assessed with respect to the collection of debts between

businesses.

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 original claim

Appropriation: None.

Fiscal Note: Not Requested.

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

Testimony For: Current law does not allow businesses to recoup collection costs with respect to the collection of debts owed by other businesses. This is unfair to such creditor businesses insofar as it forces them to bear the burden of paying collection costs. Passage of this bill will cure this problem. Under the bill, recovery of collection costs from the debtor business is allowed only if there is a written agreement to this effect between the parties.

Testimony Against: None.

Testified: Christina Trott, Washington Collector's Association.