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**Business & Financial Services Committee**

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**HB 1534**

**Brief Description:** Concerning credit and debit card transactions.

**Sponsors:** Representatives Condotta and Kirby.

**Brief Summary of Bill**

- Prohibits a seller from requiring as a condition of payment by credit or debit card that a customer consent to authorizing future charges.

**Hearing Date:** 2/1/11

**Staff:** Alison Hellberg (786-7152).

**Background:**

In a typical credit card transaction, a cardholder will present a merchant with the card and the merchant will verify a credit card number and amount with the card issuing bank. Transactions authorized by the issuing bank are stored in batches and sent to the merchant's acquiring bank, usually once a day. In a transaction where the card is not present (e.g. internet or telephone sales), a merchant will verify that a customer is in physical possession of the card and an authorized user by requesting additional information such as the security code, expiration date, or billing address. The acquiring bank and issuing bank settle batch transactions and the acquiring bank pays the merchant.

In certain situations, a merchant might retain the credit or debit card information and use it for future payments. For example, a merchant might delay charging the card until a good has been shipped or charge automatic monthly payments.

**Summary of Bill:**

A seller is prohibited from requiring as a condition of payment by credit or debit card that a customer:

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- consent to authorizing future charges against a customer's credit or debit card that are separate from the sales transaction; or
- waive the right to expressly approve each charge that a seller causes to be placed against a customer's credit or debit card.

Definitions are provided. A "credit card" is a card or device existing for the purpose of obtaining money, goods, or services on credit, and "debit card" is a card or device used to obtain money, goods, or services by a transaction that debits a cardholder's account, rather than extending credit. A "customer" is defined as any person who is or may be required to pay for goods or services, and a "seller" means any person who provides, offers to provide, or arranges for others to provide goods or services to a customer in exchange for consideration.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.