

# HOUSE BILL REPORT

## HB 1534

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**As Reported by House Committee On:**  
Business & Financial Services

**Title:** An act relating to credit and debit card transactions.

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

**Sponsors:** Representatives Condotta and Kirby.

**Brief History:**

**Committee Activity:**

Business & Financial Services: 2/1/11, 2/4/11, 2/11/11, 2/15/11, 2/17/11 [DPS].

**Brief Summary of Substitute Bill**

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

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### HOUSE COMMITTEE ON BUSINESS & FINANCIAL SERVICES

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives Kirby, Chair; Kelley, Vice Chair; Bailey, Ranking Minority Member; Buys, Assistant Ranking Minority Member; Blake, Condotta, Hurst, Parker, Rivers and Stanford.

**Minority Report:** Do not pass. Signed by 3 members: Representatives Hudgins, Pedersen and Ryu.

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

**Background:**

In a typical credit card transaction, a cardholder will present a merchant with the credit card and the merchant will verify a credit card number and amount with the credit 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 credit card is not present (e.g., Internet or telephone sales), a merchant will verify that a customer is in

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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.

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**Summary of Substitute Bill:**

When a customer is making a payment on an existing account, a seller may not require as a condition of payment by credit or debit card that the customer consent to authorizing any future charges against the customer's credit or debit card. A seller is not prohibited from charging future payments against the customer's credit or debit card if the customer consents. A seller is not prohibited from requiring that a customer provide credit or debit card information to the seller for future charges at the initiation of an account.

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.

**Substitute Bill Compared to Original Bill:**

The prohibition against sellers conditioning payment by credit or debit card on a customer waiving the right to approve each charge to the card is removed. The prohibition on a seller conditioning payment by credit or debit card on the customer authorizing future charges is limited to when a customer is making a payment on an existing account.

A seller is not prohibited from charging future payments if a customer consents. A seller is not prohibited from requiring that a customer provide card information for future charges at the initiation of an account.

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**Appropriation:** None.

**Fiscal Note:** Not requested.

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

**Staff Summary of Public Testimony:**

(In support) This bill has raised many questions among businesses. It was meant to apply to specific situations and can be narrowed. This was based on a situation where a seller required a customer to capture card information for future payments as a condition for paying with the card. The bill is meant to prevent businesses from capturing credit card information if a customer does not want it used for future payments.

(With concerns) There is concern that the language in this bill could stop a practice called automatic renewal. This is a process that is a convenience to the customer. Language will be drafted to address this problem.

(Neutral) If anyone is aggrieved by a satellite company, they should switch to cable.

(Opposed) None.

**Persons Testifying:** (In support) Representative Condotta, prime sponsor.

(With concerns) Scott Hazlegrove, Direct Marketing Association.

(Neutral) Ron Main, Broadband Communications Association.

**Persons Signed In To Testify But Not Testifying:** None.