

SENATE BILL REPORT

SB 5720

As of February 12, 2025

Title: An act relating to the uniform consumer debt default judgments act.

Brief Description: Enacting the uniform consumer debt default judgments act.

Sponsors: Senators Pedersen and Warnick; by request of Uniform Law Commission.

Brief History:

Committee Activity: Law & Justice: 2/13/25.

<p style="text-align: center;">Brief Summary of Bill</p> <ul style="list-style-type: none">• Establishes notice and complaint requirements in consumer debt collection actions.
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SENATE COMMITTEE ON LAW & JUSTICE

Staff: Patrick Moore (786-7535)

Background: Debt and Collections. Consumer debt is debt incurred for personal, family, or household purposes. Types of non-consumer debt include business debts and government debts. Collection actions are lawsuits brought by or on behalf of creditors, those who are owed a debt, against debtors, those who owe the debt. The aims of a collection action are to obtain a legal judgment for money against the debtor and to take the debtor's funds or property to satisfy the judgment and underlying debt. After a judgment is entered against a debtor, their property and funds may be taken to satisfy the judgment through legal processes known as execution, attachment, and garnishment.

Pleadings and Service. A complaint is a type of legal document known as a pleading that allows a party known as the plaintiff to begin a lawsuit by either filing it in court, serving it on the adverse party known as the defendant, or both. A complaint and other documents may be served on a defendant by one or more different means, depending on the type of

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lawsuit and other circumstances. Among these means are personal service where the documents are delivered directly to the defendant, substitute service where the documents are delivered to a representative of the defendant, service-by-mail where the documents are mailed to the defendant, and service-by-publication where the documents are printed in a newspaper or other published periodical.

Default and Default Judgment. A court may rule that a party to a lawsuit is in default when the party fails to respond to a complaint filed. When a party is in default on a complaint, the party that filed the complaint may seek a default judgment to be entered against the party in default. A default judgment has the same effect as any other legal judgment and may only be canceled by a court when it finds cause to do so.

Summary of Bill: Application. The act applies to awarding default judgments in legal actions to collect on consumer debt. It does not apply to actions to obtain or force a sale of real property or personal property.

Default and Default Judgment. Complaint Requirements. Default judgments in consumer debt collection actions may be entered only if the complaint states various facts pertaining to the debt such as an itemization of amounts owing and sought. At least one of several documents must be attached to the complaint which demonstrates the existence of the debt, such as a signed agreement or a record. If the lawsuit is by a debt purchaser or on one's behalf, additional facts regarding the chain of ownership of the debt must be stated.

Notice Requirements. Certain notices must be given to a consumer before a default judgment may be entered in a collection action for consumer debt. The complaint must be served on the consumer. It must include or be served with a notice to the consumer that informs them of the potential consequences of the lawsuit such as:

- the reason for the notice and complaint;
- what may happen if they do not respond;
- the consequences of a judgment; and
- options for seeking help.

A standard form is provided.

Appropriation: None.

Fiscal Note: Requested on February 12, 2025.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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