

# SENATE BILL REPORT

## SB 5720

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As of February 13, 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;"><b>Brief Summary of Bill</b></p> <ul style="list-style-type: none"><li>• Establishes notice and complaint requirements in consumer debt collection actions.</li></ul>
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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.

**Staff Summary of Public Testimony:** PRO: Washington has enacted laws regarding

medical debt and debt buyer practices in recent years. This uniform act is in its early stages and envisions a more general approach to how consumer debt gets enforced in court. It involves more transparency and notice to the consumer about whether a debt is real, who is the creditor, and if it is something they need to take seriously. This is so consumers can get the help they need and not be too late to address the claim. Consumer debt is rapidly rising with trillions of dollars of such debt owing. There has been a large increase in debt collection cases in the court. In most of these cases consumers are not represented by counsel and the cases result in default judgments. Consumers may not be made aware of defenses available and consequences of not appearing in the case. If consumers get involved, settlements can often be arranged. A simple, uniform law that applies to all debts should be enacted, which is what this act aims to achieve. There are issues with this bill, such as not addressing whether debt buyers purchased debts with warranties that the debts are accurate. There is an existing law from 2020 that addresses this. The debt caseloads that some attorneys handle are far too high. The bill in its present form removes this warranty requirement and consumer protection act protections that are in place. Many stakeholders and experts participated in creating this act. Banks, lenders, debt buyers and collectors support this act.

CON: There are issues with this bill, such as not addressing whether the debts are accurate. There is an existing law from 2020 that addresses this. The bill in its present form removes debt accuracy requirements and consumer protection act protections that are in place. About two-thirds of collection cases in Washington result in default judgments and many consumers are unrepresented. The debt caseloads that some attorneys handle are far too high.

OTHER: Default judgments disproportionately affect low-income and unrepresented people who do not get legal assistance before a default judgment is entered. The guidance for judges that this act contains is helpful for courts and consumers. In its present form, this act would remove recently enacted consumer protections.

**Persons Testifying:** PRO: Senator Jamie Pedersen, Prime Sponsor; Raymond Pepe, Uniform Law Commission; Donald Maurice.

CON: Sam Leonard, NW Consumer Law Center.

OTHER: Julia Kellison, NW Justice Project; Kevin Underwood, Washington Collectors Association.

**Persons Signed In To Testify But Not Testifying:** No one.