

# FINAL BILL REPORT

## SHB 2476

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Synopsis as Enacted

**Brief Description:** Concerning debt buyers.

**Sponsors:** House Committee on Civil Rights & Judiciary (originally sponsored by Representatives Walen, Duerr, Kloba, Kilduff, Leavitt, Lekanoff, Orwall, Davis, Doglio, Frame, Macri, Goodman and Ormsby).

**House Committee on Civil Rights & Judiciary**  
**Senate Committee on Law & Justice**

### **Background:**

Collection agencies are regulated by the Collection Agency Act (CAA). The CAA creates a licensing system, establishes a regulatory board, sets forth requirements and prohibited practices, and provides remedies. The term collection agency is defined to encompass several categories of persons and entities, including any person or entity that is engaged in the business of purchasing delinquent or charged off claims for collection purposes, whether it collects the claims itself or hires a third party for collection or an attorney for litigation in order to collect such claims.

A claim is any obligation for the payment of money or thing of value arising out of any agreement or contract, express or implied. This includes personal, household, family, and business debts.

No person or business may act as a collection agency without first acquiring a license from the Department of Licensing (DOL). The DOL may deny, revoke, not renew, or suspend licenses for reasons related to conduct, financial circumstances, and noncompliance with the law.

The CAA sets forth a number of prohibited practices. For example, collection agencies may not:

- contact a debtor with excessive frequency or at an unreasonable hour;
- publish an individual's debt or share the amount due with a third party; or
- misrepresent themselves when communicating with a debtor.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

Violations of these prohibited practices are declared to be unfair acts or practices or unfair methods of competition in the conduct of trade or commerce under the Consumer Protection Act. Individual debtors may file complaints with the regulatory board or with the Attorney General. Individuals may also bring civil suits against collection agencies for alleged violations of the CAA for injunctive relief and damages. If a prohibited act or practice is committed in the collection of a claim, the original claim or obligation may be recovered from the debtor, but neither the licensee, the customer of the licensee, nor any other person who may thereafter be legally entitled to collect is allowed to recover any interest, service charge, attorneys' fees, collection costs, delinquency charge, or any other fees or charges otherwise legally chargeable to the debtor on the claim.

**Summary:**

A new term, debt buyer, is specifically defined under the Collection Agency Act (CAA) to mean any person or entity that is engaged in the business of purchasing delinquent or charged off claims for collection purposes, whether it collects the claims itself or hires a third party for collection or an attorney for litigation in order to collect such claims. These persons and entities, now called debt buyers, continue to be one category or type of collection agency.

Provisions are added to the CAA that are specific only to debt buyers. No debt buyer may:

- bring any legal action against a debtor without attaching to the complaint a copy of the contract or other writing evidencing the original debt that contains the signature of the debtor. Specific provision is made for a claim based on a credit card debt for which a signed writing does not exist or on an electronic transaction for which a signed writing never existed;
- request a default judgment against a debtor in any legal action without providing to the court evidence establishing certain enumerated facts in a form that satisfies the requirements of the court rule and statute governing business records as evidence; or
- bring any legal action against a debtor without disclosing in the complaint: that the action is being brought by a debt buyer; the date the claim or obligation was purchased; the identity of the person or entity from whom or which the claim or obligation was purchased; that the plaintiff may have purchased the claim or obligation for less than the value stated in the complaint; if the claim or obligation was at any time sold without any representation or warranty of accuracy, a statement to that effect; and that the action is being commenced within, and is not barred by, an applicable statute of limitations.

Violations of these prohibited practices are unfair and deceptive practices or unfair methods of competition in the conduct of trade or commerce for purposes of the Consumer Protection Act. If one of these prohibited acts or practices is committed in the collection of a claim, the original claim or obligation may be recovered from the debtor, but neither the licensee, the customer of the licensee, nor any other person who may thereafter be legally entitled to collect is allowed to recover any interest, service charge, attorneys' fees, collection costs, delinquency charge, or any other fees or charges otherwise legally chargeable to the debtor on the claim.

These amendments to the CAA apply prospectively only and not retroactively. They apply with respect to delinquent or charged off claims purchased for collection purposes by a debt buyer on or after the effective date.

**Votes on Final Passage:**

House	96	0
Senate	48	0

**Effective:** June 11, 2020