

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

House Bill 588 (Delegate James)
Economic Matters

Consumer Protection - Claims and Defenses in Consumer Credit Contracts -
Businesses

This bill includes in the definition of a “consumer,” for the purpose of preserving claims and defenses under a consumer credit contract, a business that enters into a loan, contract, or lease for which an individual is personally liable as either a signatory or a guarantor.

Fiscal Summary

State Effect: Assuming that the Consumer Protection Division receives fewer than 50 complaints per year stemming from this bill, any additional workload could be handled with existing resources.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: In connection with a sale or lease of goods or services to consumers, it is an unfair or deceptive trade practice under the Maryland Consumer Protection Act to: (1) take or receive a consumer credit contract that fails to contain the required notice; or (2) accept the proceeds of any purchase money loan, unless a consumer credit contract made in connection with the loan contains the required notice.

These provisions do not apply if the seller does not: (1) require a consumer credit contract that is a negotiable instrument or that contains a provision under which the

consumer agrees to limit or waive claims or defenses against the seller as to any holder of the contract; and (2) transfer, sell, pledge, or assign a consumer credit contract, except when the transferee is subject to all claims and defenses to the same extent that the consumer has against the seller.

For the purpose of these provisions, a consumer is an individual who seeks or acquires goods or services for personal, family, or household use.

Additional Information

Prior Introductions: None.

Cross File: SB 880 (Senator Teitelbaum) – Rules.

Information Source(s): Office of the Attorney General (Consumer Protection Division),
Department of Legislative Services

Fiscal Note History: First Reader - February 21, 2005
ncs/jr

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