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February 6, 2025

TO: The Honorable Pamela Beidle, Chair
Senate Finance Committee

FROM: Steven M. Sakamoto-Wengel
Consumer Protection Counsel for Regulation, Legislation and Policy

RE: Senate Bill 413 – Consumer Contracts – Limitations Periods – SUPPORT

The Consumer Protection Division of the Office of the Attorney General supports Senate Bill 413, sponsored by Senator Waldstreicher, which would prohibit a consumer contract from reducing the statute of limitations to bring an action under the contract below that provided by Maryland law.

Consumer contracts are, for all intents and purposes, non-negotiable. The terms are set by the business and, even if a consumer understands the terms of the contract well enough to alter its terms, rarely can be changed by the consumer. And apart from major contracts such as a home purchase, hiring an attorney to review a consumer contract is prohibitively expensive.

Allowing a business to reduce the three-year statute of limitations in a consumer contract harms Maryland consumers by limiting the consumer's ability to bring an action against the business if the business breaches the contract. The Court of Appeals of Maryland, now the Supreme Court, has determined that shortening the statute of limitations in a consumer contract may be unreasonable. In *Ceccone v. Carroll Home Services, LLC*, 454 Md. 680 (2017), the Court discussed the purpose behind limitations:

Statutes of limitations are designed to balance the competing interests of plaintiffs, defendants, and the public. A statutory period of limitations represents a policy judgment by the Legislature that serves the interest of a plaintiff in having adequate time to investigate a cause of action and file suit, the interest of a defendant in having certainty that there will not be a need to respond to a

potential claim that has been unreasonably delayed, and the general interest of society in judicial economy, [Cites omitted] In enacting the three-year statute of limitations that governs most tort and contract actions, the General Assembly made a policy decision as to an appropriate deadline for filing of such a claim by a reasonably diligent plaintiff.

Ceccone, 454 Md. At 691. The Court noted that, absent a controlling statute to the contrary, a provision shortening the statute of limitations may be allowed, as long as it is reasonable. However, the Court also noted that many of the cases upholding shortened limitations periods “involve sophisticated contracts between parties with roughly similar bargaining power.” Such is not the case with consumer contracts.

Other states have enacted prohibitions against shortening a statute of limitations, including Alabama, Florida and Texas. The Consumer Protection Division requests that the Senate Finance Committee do likewise and prohibit such provisions in consumer contracts by giving SB 413 a favorable report.

cc: The Honorable Jeff Waldstreicher