

Department of Legislative Services  
Maryland General Assembly  
2000 Session

FISCAL NOTE

House Bill 599 (Delegate Mandel. *et al.*)

Economic Matters

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**Consumer Protection - Mandatory Arbitration Clauses in Consumer Contracts**

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This bill provides that a mandatory arbitration clause in a consumer contract for goods, realty, or services primarily for personal, household, family, or agricultural purposes must contain specified disclosures, which the merchant must explain. The disclosures include provisions stating that a consumer may reject the clause with no effect on other provisions of the contract and that by submitting a dispute to mandatory arbitration, the consumer may waive the right to a trial. A mandatory arbitration clause in a consumer contract must be signed by both the merchant and the consumer to be enforceable. A merchant may not refuse to enter into a consumer contract because of a consumer's rejection of a mandatory arbitration clause. If a dispute arises, the consumer may pursue other remedies allowed by law, unless both the merchant and the consumer must reaffirm their acceptance of the arbitration clause in writing. A violation of the bill is an unfair or deceptive trade practice under the Maryland Consumer Protection Act and renders a mandatory arbitration clause unenforceable.

The bill applies to all contracts executed, renewed, or amended on or after October 1, 2000.

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**Fiscal Summary**

**State Effect:** Assuming that the Consumer Protection Division will receive fewer than 50 complaints per year stemming from this bill, existing resources should be adequate to handle any additional workload.

**Local Effect:** None.

**Small Business Effect:** Meaningful.

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**Analysis**

**Current Law:** The Maryland Consumer Protection Act does not apply to the professional services of a certified public accountant; architect; clergyman; professional engineer; lawyer; veterinarian; insurance company, agent, or broker; Christian Science practitioner; surveyor; chiropractor; optometrist; physical therapist; podiatrist; real estate broker or salesperson; or medical or dental practitioner. No provision of law specifically regulates mandatory arbitration clauses.

**Small Business Effect:** Small businesses that execute contracts with consumers and include mandatory arbitration clauses in their consumer contracts could experience increased litigation costs to resolve disputes with consumers.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - February 25, 2000  
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Analysis by: Ryan Wilson

Direct Inquiries to:  
John Rixey, Coordinating Analyst  
(410) 946-5510  
(301) 970-5510