

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1198
Judiciary

(Delegate Lopez, *et al.*)

Civil Actions - Coerced Debt - Debtor Protections

This bill authorizes a debtor who alleges that a debt is “coerced debt” to bring an action against the creditor of the alleged coerced debt seeking equitable relief, including (1) a declaratory judgment that a debt is a coerced debt and (2) injunctions and orders to protect the debtor from further debt collection efforts and liability for the coerced debt. The bill may not be construed to prohibit a creditor from pursuing an action against an individual alleged to have caused a debtor to incur coerced debt. If a debtor receives a declaratory judgment that a debt is a coerced debt, a debtor may seek relief in a court of competent jurisdiction against an individual alleged to have caused a coerced debt, including damages, attorney’s fees, and court costs. In an action against a debtor to satisfy a debt, it is an affirmative defense that the debt is a coerced debt. An agreement between a debtor and any other person to waive or modify a right conferred or cause of action created under the bill is void as contrary to public policy. The bill contains a severability provision.

Fiscal Summary

State Effect: The bill is not anticipated to materially affect State finances or operations.

Local Effect: The bill is not anticipated to materially affect local government finances or operations.

Small Business Effect: Minimal.

Analysis

Bill Summary: “Coerced debt” means all or a part of a debt (excluding debt secured by real property) in the debtor’s name incurred as a result of fraud, duress, intimidation, threat, force, coercion, manipulation, undue influence, misinformation, or the nonconsensual use of the debtor’s personal identifying information, that occurs within the context of:

- abuse, as defined in § 4-501 of the Family Law Article;
- exploitation of children in an out-of-home placement, as defined in § 5-501 of the Family Law Article;
- financial exploitation, as defined in § 13-601 of the Estates and Trusts Article;
- harassment under § 3-803 of the Criminal Law Article;
- human trafficking under Title 3, Subtitle 11 of the Criminal Law Article; or
- labor trafficking under § 3-1202 of the Criminal Law Article.

Required Notice

Before filing the civil action established under the bill, a debtor must notify a creditor that a debt on which the creditor demands payment is coerced debt and request that the creditor cease all debt collection activity on the coerced debt. The notice must comply with specified requirements, and a creditor must make information on how a debtor can submit a notice publicly available online and on request via any publicly available method of communication. On receipt of notice, a creditor must (1) confirm in writing to the debtor that they received the notice and the date of receipt; (2) inform the debtor of any missing documentation required to review the notice, if applicable; and (3) inform a consumer reporting agency that the debt is disputed.

Within 30 days after receiving notice, a creditor must provide written notice to the debtor of the creditor's decision to continue or cease debt collection activity relating to the coerced debt. If the creditor notifies the debtor that collection of the debt will resume, the creditor must state the date on which the creditor will resume debt collection activity, which may not be earlier than 40 days after the creditor received notice.

Following notice of a decision to cease debt collection activity, a creditor must cease all debt collection activity, including wage garnishment; report to a consumer reporting agency the deletion of the coerced debt; and move to dismiss any action in a court to enforce collection activity on the coerced debt. The creditor may resume debt collection activity on the coerced debt only after providing written notice to the debtor at least 10 days before resuming debt collection activity. A creditor ceasing debt collection activity on a debt that a debtor has asserted is a coerced debt does not create a presumption regarding the validity or invalidity of the debt for which the debtor may be liable.

A creditor may sell or assign to another party a debt that a debtor has asserted is coerced debt if the creditor selling or assigning the debt notifies the buyer or assignee that the debtor has asserted the debt is coerced debt.

Civil Action for Coerced Debt

No earlier than 30 days after a creditor received the required notice from the debtor, a debtor may file a petition for equitable relief, which must contain specified information and evidence, unless an exception related to abuse or harm to the petitioner applies. If that exception applies, the court is required to take appropriate measures to protect the debtor, the debtor's family, and the debtor's pets.

A debtor alleging a debt is coerced debt may seek equitable relief in a court of competent jurisdiction, including (1) a declaratory judgment that a debt is a coerced debt; (2) an injunction prohibiting a creditor from holding the debtor liable for the coerced debt, enforcing a judgment related to the coerced debt, or reporting the coerced debt to a consumer reporting agency; (3) an order dismissing with prejudice any cause of action brought by a creditor to enforce or collect the coerced debt from the debtor; and (4) an order requiring a creditor to report to a consumer reporting agency the deletion of the coerced debt.

A debtor has the burden of proof to show that the required notice was provided to the creditor. Once a debtor meets this burden of proof, a creditor has the burden of proof to show that the debtor did not allege in good faith that the debt was coerced.

If a debtor receives a declaratory judgment that a debt is a coerced debt, a debtor may seek relief in a court of competent jurisdiction against an individual alleged to have caused a coerced debt, including damages in the amount of payments made or costs incurred related to the coerced debt, attorney's fees, and court costs.

Current Law: While there are criminal statutes that prohibit specified types of fraudulent activity and financial abuse, the bill creates a new and unique process for an individual who incurs debt due to fraud, intimidation, and related behavior that occurs within the context of specified acts or crimes to challenge the debt, obtain injunctive relief from debt collection efforts, and recover damages related to the debt.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Office of the Attorney General (Consumer Protection Division); Judiciary (Administrative Office of the Courts); Maryland Department of Labor; Department of Legislative Services

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