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TO: The Honorable Pamela Beidle, Chair
Finance Committee

FROM: William D. Gruhn., Chief
Consumer Protection Division

RE: House Bill 1299 – Consumer Protection – Maryland Consumer Protection
Act – Trade or Commerce Violations (SUPPORT)

The Consumer Protection Division of the Office of the Attorney General (the “Division”) strongly supports House Bill 1299, a Departmental bill that would alter the scope of Maryland’s Consumer Protection Act (“CPA”) to prohibit unfair, abusive or deceptive practices that occur in “Trade or Commerce.”

The CPA, among other things, prohibits unfair, abusive or deceptive practices in connection with the sale or offer for sale of consumer goods, services and realty, the extension of consumer credit, and in the collection of consumer debts. While the CPA has enabled the Consumer Protection Division to bring enforcement actions to protect Maryland consumers, recovering millions of dollars for victims of deceptive practices, there have been some instances where harmful practices do not cleanly fit into the CPA’s prohibitions.

House Bill 1299 would allow the Division to address many of those practices by altering the CPA to prohibit acts that occur in “Trade or Commerce” rather than just in connection with an offer or sale to a consumer. This change will provide the Maryland Consumer Protection Act with the same scope as the laws in more than half the states. Some examples of situations the Division would be able to address under HB 1299 include:

- ABC Capital, which convinced out-of-state investors to invest in rental properties in Baltimore City and elsewhere in Maryland by promising to rehabilitate the properties and then manage and rent them to tenants. However, ABC Capital did

not rehabilitate the properties, nor did it rent the properties, leaving not only the investors in the lurch but also harming the communities in which the properties were located, including a death that resulted from a vacant ABC Capital property.

- Businesses that offer to “buy houses” from consumers, often senior citizens who no longer have mortgages, have been reported to have paid homeowners a fraction of the homes’ value, failed to record the deeds on the property, leaving the consumers liable for taxes that they are unaware of, and engaged in other deceptive practices that harm the homeowners selling their properties.
- The Maryland Supreme Court refused to recognize a cause of action against the manufacturer of defective fire-retardant plywood because the manufacturer sold and marketed its product to home builders rather than consumers. Under the Court’s opinion, instead of bringing an action against the manufacturer of the defective plywood that was the source of the defect, the consumers’ action needed to be brought against the Maryland home builder who sold the home.
- Small businesses owners who are victims of a variety of scams.

Additionally, HB 1299 would obviate the need to amend the definition of who is a “consumer” under the CPA each time a new practice arises, such as churches that were victims of an Internet Kiosk scam (which led to the addition of section 13-101(c)(2)(iv) of the CPA) or consumers who sold their cars in response to a deceptive “We Buy Cars” promotion (which led to the addition of section 13-303(6) of the CPA). Instead, the Division would be able to address novel scams that are harming consumers and small business owners as they arise.

Accordingly, for the reasons discussed, the Consumer Protection Division requests that the Senate Finance Committee issue a favorable report on House Bill 1299.