Mr. Chairman, members of the Committee:

I am the Attorney for the American Fair Credit Council and was asked by Chairman Jordan and the bill sponsor Rep. Bill Roemer to speak regarding House Bill 131. My comments are not directed at the debt settlement industry per se, but rather will focus on the ongoing debate over the unauthorized practice of law.

I have prepared a brief memo discussing the question of whether or not this bill seeks to permit debt settlement companies to operate in Ohio in violation of Ohio Supreme Court rules and existing case law regarding the unauthorized practice of law. The legal memo before you seeks to explain the Ohio Supreme Court’s view of what defines the practice of law. This view is based on a review of all of the relevant case law in this area. At the same time, my memo attempts to explain how the activities of debt settlement companies should not constitute the practice of law—any more than the negotiations entered into by realtors, nonprofit debt counseling
groups, sports agents or other persons engaged in the general transactions of commerce constitute the practice of law.

Case law—both within this state and at the United States Supreme Court—has given us some direction when trying to determine whether or not certain behaviors constitute the practice of law.

The *Kolodner case (2004)* is used as the benchmark for determining this in Ohio and speaks to unauthorized practice of law in general terms. In my view, this case is easily distinguished from the present bill before you in that in the *Kolodner case*, Mr. Kolodner had already been enjoined in Florida for similar behavior, and then came to Ohio to do exactly the same thing—namely holding himself out as an attorney without having ever attended law school or being admitted to the state bar. Given the stipulated facts submitted, there was no doubt that, in holding himself out as an attorney and charging clients for his work, he was engaged in the unauthorized practice of law.

In fact, just recently the Court in a per curiam decision in the *Century Negotiations, Inc. case (2017)* relied on *Kolodner* again in deciding whether or not a debt settlement company was practicing law. Again, however, this case is distinguishable. Without making today’s committee hearing an
appellate argument—with too many lawyers arguing about how many
angels could fit on the head of a pin—the Court did not hear evidence and
independently determine the facts; rather, the respondent, Century
Negotiations, Inc., admitted in stipulated facts to the Board of
Commissioners on the Unauthorized Practice of Law that its actions rose to
the level of the practice of law. Staff at Century Negotiations will tell you
the cost of arguing the case had become too burdensome for the company
and they simply sought a settlement to end the matter, and—by
cooperating—avoid potential costly fines.

Because this is a legal dispute, let me refer the committee to the very
important case involving the Workers' Compensation system here in Ohio.
the Ohio Supreme Court, when deciding whether employee
representatives, union representatives and third-party administrators were
involved in the unauthorized practice of law stated, having reviewed a
record of the extensive discovery and hearing held before the Board of
Commissioners on the unauthorized practice of law, overruled the finding of
that Board. The Court determined that the third-party administrators in that
case relied on the value of the claim and prior experience in dealing with
claimants. Further, the Court determined these activities did not require the
specialized training and skill of an attorney. This decision squarely and
more properly describes the activities of the debt settlement industry—as well as the non-profit debt counselors, realtors, sports agents, etc.

In this bill, the legislature is permitting debt settlement companies to operate in Ohio. Private enterprise would be generally doing what the nonprofit credit counseling agencies have been authorized to do here in Ohio for many decades—I should note without any objections by the bar. And, private enterprise would be doing what realtors and many other business people do when working daily in the commercial world—also without objections from the bar.

Mr. Chairman, members of the committee, currently the debt settlement industry cannot operate in Ohio without incurring a legal challenge alleging it is engaged in the unauthorized practice of law. This bill provides an opportunity for both clarity and fairness: Should this bill pass and the industry begins engaging with business in Ohio, it undoubtedly will be challenged once again. The industry will then have an opportunity to have full hearings, presenting persuasive evidence and argument to the Ohio Supreme Court, the proper forum for clarification regarding whether or not the debt settlement industry is engaged in the unauthorized practice of law. Please note that the workers compensation case I just discussed clearly demonstrates that the Court can and does overrule findings of the Board of
Commissioners on the unauthorized practice of law when presented with a complete record of the facts.

Additionally, this bill offers an opportunity for fairness. It will permit fair and equitable treatment among all parties who conduct themselves in a similar manner. Whether they are debt settlers, realtors, debt counselors or businesses engaged in normal commercial activity requiring negotiations as to price or other details in a transaction, they will have an opportunity to be treated equally—with fairness under the law.

We ask the Committee to consider this opportunity for both clarity and for fairness when voting on this legislation.

Thank you, Mr. Chairman, members of the Committee.

Respectfully submitted,

Betty D. Montgomery

Montgomery Consulting Group
37 W. Broad St. Suite 970
Columbus, Ohio 43215
614.224.8333/614.205.7883