May 18, 2020

Honorable John Eklund  
Chairman, Senate Judiciary Committee  
Senate Building, One Capital Square  
1st Floor  
Columbus, OH 43215

Re: Testimony to the Senate Judiciary Committee regarding H.B. 251

Dear Chairman Eklund, Vice-Chair Manning, Ranking Member Thomas and members of the Senate Judiciary Committee:

I appreciate the opportunity to submit this testimony in opposition to one sentence found in H.B. 251, though I recognize it is substantially late in the process for doing so. Nevertheless, I think it is critical to raise this particular concern before the Committee votes.

H.B. 251 will accomplish the opposite of what it intends with respect to consumer contracts due to the last sentence in proposed Ohio Revised Code Section 2305.07(C). While the overall Bill shortens the statute of limitations for contracts, H.B. 521 effectively eliminates the entire statute of limitations for consumer debts. This is because of the new “accrual” provision added to Section 2305.07(C).

Traditionally, statutes of limitations for contract actions “accrue” upon the default of a party. That is, once someone stops paying on a contract, the statute of limitations begins to run. The offended party’s time to sue would start to run from that date.

The change proposed in 2305.07(C) changes the accrual event only in consumer contracts. Rather than the statute of limitations beginning to run at the point of a consumer’s default, the new code allows the creditor to decide when the statute of limitation will begin. The new code states the “accrual” as:

“For purposes of this division, a cause of action accrues after the consumer’s account is closed, settled to a single liability, and following the last pertinent entry of the account.”

Under the proposed new code, each of these three things must occur before the statute of limitations begins to run on a consumer debt. As you can see, each of these three things is under the direct and complete control of the creditor.
If the creditor never decides to “close” the account, allowing late fees and interest to accumulate, then the statute of limitations to sue under the debt never begins. Further, if the original creditor closes the account and sells it to a debt buyer, who never settles it into a single liability, then the statute of limitations again never begins. Finally, if it is closed, sold, settled, and sold again, but consistently charged late fees every month so that entries continue in the account, then the statute again never begins. This effectively creates a situation where the statute of limitations on consumer debts may never begin, depending on the whims of the creditor. It seems that would not accomplish the intended goal of the Bill, which is to shorted the overall statute of limitations for contract actions.

I support the reductions in the statute of limitations for written contracts from eight to six years. I also support the reduction in the statute of limitations for oral contracts to four years. Those reductions will be accomplished with the code change. However, the carveout under proposed Section 2305.07(C) nullifies those shorter periods for consumer contracts in a very important way, which I write to you in opposition.

The concerns with the new code would be eliminated if the last sentence regarding accrual found in the proposed Section 2305.07(C) were removed.

Sincerely,

Troy J. Doucet, Esq.