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Act No. 106 (H.385). An act relating to remedies and protections for victims of coerced debt

Subjects: Finance; creditors; debtors; coerced debt; remedies; banking; suspicious transaction holds; financial exploitation

This act concerns primarily two subjects: legal remedies and protections for victims of coerced debt; and the authority of a financial institutions to take protective action if it suspects an account holder might be the victim of financial exploitation.

The coerced debt provisions apply to survivors of domestic abuse or human trafficking and to vulnerable adults who are survivors of abuse, neglect, or exploitation who incur debt as the result of a perpetrator's use of threatening or fraudulent behavior. The act specifies that coerced debt is prohibited and that a victim of coerced debt is subject to the remedies and protections under Vermont's Consumer Protection Act. The act also specifically enables a debtor to file a claim of coerced debt with a creditor or with a credit reporting agency. Upon receipt, the creditor or credit reporting agency, as applicable, is required to investigate the claim and, if it determines the evidence supports the claim, cease collections or remove any adverse information related to the coerced debt in the debtor's credit report. In the alternative, the creditor may continue its collection efforts if it determines the claim of coerced debt is not supported by available evidence. If a creditor initiates a lawsuit against the debtor for any outstanding balance, the act contains several debtor protections, including with respect to the burden of proof, statute of limitations, choice of law, and confidentiality of personal information. The act also enables a creditor and a debtor to commence a civil action against the perpetrator if a finding of coerced debt is made by a court.

The coerced debt provisions take effect on July 1, 2028. At that time, the Commissioner of Financial Regulation shall begin collecting data on the utilization of the coerced debt protections and remedies and shall report findings and recommendations to the relevant legislative standing committees of jurisdiction on or before November 15, 2029.

The protections against suspected financial exploitation essentially enable a financial institution to intervene in a customer-directed transaction if it believes the customer may be the victim of financial exploitation. The permitted interventions include temporary transaction holds pending further investigation and contact with an associated third party, if deemed appropriate. If a financial institution acts for the benefit of its customers pursuant to the standards and procedures specified in the act, it is immune from civil, criminal, and administrative liability. The act requires the Commissioner of Financial Regulation to collect utilization and implementation data and annually report aggregated information to the relevant legislative standing committees of jurisdiction beginning on or before January 15, 2027.

Effective Date: Multiple effective dates, beginning on May 20, 2026