

Section 196 thereof; to add new Section 161WX to Article 23 of the Code, (1966 Replacement Volume and 1970 Supplement), title "Corporations," subtitle "Particular Classes of Corporations," subheading "Associations," to follow immediately after Section 161W thereof; to add new Section 24 to Article 58A of the Code (1968 Replacement Volume and 1970 Supplement), title "Loans—Consumer," to follow immediately after Section 23 thereof; and to add new Section 162A to Article 83 of the Code, (1969 Replacement Volume), title "Sales and Notices," subtitle "Finance Companies," to follow immediately after Section 162 thereof; to subject, under certain circumstances, any banking institution, savings or building and loan association, finance company, or any person, copartnership or corporation which makes loans for the purpose of enabling a borrower to buy goods or services to all of the claims and defenses which are available to the borrower against the seller.

May 28, 1971.

Honorable Thomas Hunter Lowe  
Speaker of the House of Delegates  
State House  
Annapolis, Maryland 21404

Dear Mr. Speaker:

In accordance with Article II, Section 17, of the Maryland Constitution, I have today vetoed House Bill 228.

This bill eliminates the holder-in-due-course doctrine, under certain circumstances, in actions between a consumer who has borrowed money to purchase goods and industrial finance companies and small loan companies. The bill, as introduced, included banks and savings and loan associations as well as industrial finance companies and small loan companies. However, the bill was amended so as to apply to only industrial finance companies and small loan companies.

It is evident that certain types of financial institutions have been singled out by the General Assembly for particular treatment under this legislation while others, which also participate in the consumer credit business, are exempted. The Attorney General, while not expressly disapproving the bill for constitutionality, has given me his opinion that this treatment raises questions of due process and equal protection of the laws under the Constitution of the United States. The Attorney General's opinion is attached herewith and should be considered a part of this message.

In addition to the constitutional questions raised by House Bill 228, I am concerned with the effect of this bill on consumer matters. Under the bill, there is a likelihood of consumer confusion and unequal treatment of both the consumers and financial institutions. For example, a consumer may purchase a household item from a store on a time payment basis and sign a note, and the store may then assign the note to a lending institution. The consumer may later realize that he has a defective item and thus a valid claim for cancelling the contract. If the lending institution were a bank or a savings and loan association, such an institution could still get a judgment against the consumer who was the maker of the note because of the holder-in-due-course doctrine. However, if the institution were an industrial finance company or small loan company, the consumer would not be liable on the note. This type of situation, as the Attorney