

New Report Highlights How the Rent to Own Industry Coerces Payments from Vulnerable Families

National Consumer Law Center's 50-State Review of Laws Used to Pursue Criminal Charges against Rent to Own Customers

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Download the full report, including an analysis of rental theft laws of 50 states and Washington, D.C., and complete list of policy recommendations at <https://bit.ly/rto-racket>

Boston - Across the nation, the \$8.5 billion annual rent-to-own (RTO) industry uses the threat of criminal charges to demand payment from low-income consumers who have fallen behind on abusive contracts. Under little-known state laws often written years ago by the industry's lobbyists, RTO companies exert legal authority to turn a dispute with any of its 4.8 million customers over a furniture set, appliance, or a computer into threats of arrest, felony theft charges, and even incarceration.

The Rent to Own Racket: Using Criminal Courts to Coerce Payments from Vulnerable Families, a report from the National Consumer Law Center, finds that the District of Columbia and 47 states have laws that can be used to criminalize the failure to return rental property at the end of an RTO lease term. As a result, vulnerable families on tight budgets who can't keep up with onerous payments face devastating criminal consequences, even after paying thousands of dollars on predatory contracts marked up two to three times what a customer paying cash in a traditional retail store would pay. A survey by the Federal Trade Commission found that nearly four in five RTO customers earn less than \$40,000 annually and three in five are racial or ethnic minorities.

"For decades, the rent to own industry has evaded core consumer protection laws to target and drain wealth from families, especially households of color, already living on the edge," **said National Consumer Law Center Skadden Fellow Brian Highsmith** and primary author of the report. "We hope that this report will shine a light on the misuse of our criminal courts by the rent-to-own industry, and help advocates and policymakers wishing to end this form of consumer abuse," **said Highsmith.**

Key Findings

The report finds that RTO companies have pushed for laws allowing them to pursue criminal charges against their customers, resulting in the enactment of "rental theft laws" in nearly every state, except Connecticut, South Carolina, and Virginia. These state statutes often effectively eliminate any requirement to show wrongful intent on the part of the accused and so can unfairly capture rent-to-own customers who simply fall behind on a payment. In Alabama, for example, failure to return goods within 48 hours of delivery of a written demand is considered to be presumptive evidence of criminal intent.

Under these laws, RTO companies can use arrest or the threat of arrest to intimidate struggling

customers into making payments. Charges may even be brought against individuals who have already paid the full retail value of the goods, but simply have not paid the excessively high effective financing charges the industry has charged. These criminalization tactics accuse customers of stealing merchandise, when the reality is often that a low-income customer simply missed a payment on a deceptively expensive contract—conduct that would, in other consumer transactions, be considered a breach of contract and not a crime. The industry’s use of the criminal courts to enforce its contracts effectively criminalizes financial distress.

Key Recommendations for States

- Prohibit the application of rental theft laws to consumer installment contracts where there is an option to purchase;
- Require specific proof that the defendant intended to steal the property;
- Establish a simple, accessible civil legal process through which rental companies and consumers can resolve disputes about possession of rental property;
- Regulate coercive collection strategies by imposing legal liability for threatening arrest with no reasonable basis; and
- Amend laws authorizing RTO agreements to eliminate statutory exclusions from consumer protection statutes that cap excessive rates, limit overcharges, and mandate disclosures.

This report builds on NCLC’s work on the criminalization of poverty in various consumer law contexts. For more information, visit: <https://www.nclc.org/issues/criminal-justice.html>.