

## **RAISE SMALL CLAIMS AMOUNT**

### **House Bill 5345 with amendment First Analysis (2-11-98)**

**Sponsor: Rep. Paul Wojno  
Committee: Judiciary**

#### ***THE APPARENT PROBLEM:***

Small claims court offers a way for people to legally settle relatively minor financial disputes without the expense of hiring an attorney or the difficulty of dealing with formal legal procedures. At present, the small claims court limit--that is, the maximum amount for which an action can be brought in small claims court--is \$1,750. The amount, raised from \$1,500 on July 1, 1992, is considered by many to be too low: if small claims court is to be a forum for disputes not worth the expense of hiring an attorney, then litigants might be better served by raising the limit, given the effect of inflation since the last time the amount was increased.

expansion of the small claims courts' jurisdiction is needed to give people

#### ***THE CONTENT OF THE BILL:***

The small claims court hears and decides cases where the dispute involves a limited dollar amount. Currently, the jurisdiction of small claims courts is limited to cases where the recovery sought is for no more than \$1,750. House Bill 5345 would amend the Revised Judicature Act to increase the maximum amount of money that could be involved in a case before a small claims court to \$2,000.

The bill would take effect October 1, 1998.

MCL 600.8401

#### ***FISCAL IMPLICATIONS:***

Fiscal information is not available.

#### ***ARGUMENTS:***

##### ***For:***

The bill provides a needed expansion of small claims court jurisdiction. The last increase of the dollar amount was in 1992. In the interim, the increases in the cost of living alone warrant an increase in the jurisdictional amount. As costs increase, the likelihood decreases that an attorney would be willing to accept a case involving less than \$2,000. Attorneys are less and less likely to accept such cases and as a result an

involved in disputes over smaller amounts an opportunity to have the dispute resolved by a court rather than leaving them to attempt to resolve the dispute on their own.

***Against:***

The bill doesn't increase the amount enough. The bill could raise the amount to \$5,000 without negatively impacting any attorneys' client lists. Not only are attorneys unwilling to take on cases involving \$2,000 or less, they don't tend to accept clients who have claims for \$5,000 or less either. Further, a person involved in such a dispute is not significantly more likely to hire an attorney for \$100 an hour for a \$2,000 case than he or she is for a \$5,000 case.

Furthermore, many nearby states have significantly higher jurisdictional amount for their small claims courts. For example, Wisconsin's small claims court maximum is \$4,000, Minnesota's is \$7,500, and Indiana and Iowa have maximums of \$3,000.

***Response:***

Raising the small claims court limit too high could increase the use of the court by businesses to collect debts, rather than resolution of disputes between citizens. A higher limit encourages businesses to bring more and larger collection cases in small claims court. Since collection of small claims judgments has been simplified and more streamlined many businesses might find an advantage in bringing their debt claims before the small claims court, particularly if the limit is significantly increased. This increase could monopolize or interfere with the court's ability to deal with resolving disputes between citizens.

***Rebuttal:***

There is nothing inherently wrong with the court being used by business enterprises to collect on past-due bills. As for the potential threat of court dockets being monopolized, some restrictions already exist to prevent this. For example, a person cannot initiate more than five small claims actions a week within a given court district. Further, if it appeared that the court's resources were being monopolized by businesses, additional restrictions could be developed as necessary.

***POSITIONS:***

The Michigan Consumer Federation supports the bill.  
(2-10-98)

The Michigan Trial Lawyers Association supports the  
bill. (2-10-98)

The Michigan Retailers Association supports the bill. (2-  
10-98)

The Michigan Lumber and Building Materials  
Association supports the bill. (2-10-98)

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