

COMMENTS ON 2026 – H 7033

Interest on Civil Judgments

Please allow me to comment on House Bill 2026-H 7033 Interest in civil actions. I am a practicing attorney in the State of Rhode Island for 45 years.

In regard to this proposed legislation, I point out that when a judgment is entered in favor of the Plaintiff, which is a finding by the court that a Plaintiff is rightfully due a sum of money, that amount is not to be considered a loan but an amount due and payable on demand under court order. Otherwise, a judgment is a determination by the court that a person or company seeking redress as a Plaintiff is due money for a loss incurred. That loss could be the result of a breach of contract or an unpaid bill for goods and services received by the Defendant or for personal injury.

The purpose of accruing interest on a judgment for money is not only to help compensate the Plaintiff for loss of use of the money to which they were owed but most importantly, to provide strong incentive for the judgment to be promptly paid. You must be aware that many Plaintiffs are small businesses who provided goods and services and have not been paid. They need that money to be paid promptly to survive as a business.

If the statutory interest rate is too low, there will be no incentive for the Defendant to honor the judgment by prompt payment. House Bill 2026-H 7033 would significantly lower the interest rate on judgments to such an extent that it would be at or lower than most interest rates on a loan for a car or mortgage depending on the time of calculation.

Without a sufficiently high interest rate, a Judgment Debtor (Defendant) not only would have little incentive to promptly pay a judgment but in my experience the Defendant could and

will treat the judgment debt as a low interest loan. Unjustly, the Judgment Creditor (Plaintiff) may have to wait a longer time to be fully paid and since the interest rate would be so low under the proposed statutory calculation, the Judgment Creditor would suffer further loss of use of money rightfully due for their work.

Another problem I see with the bill is that the calculation of the interest rate is complex and difficult for the average person to determine and predict. Although the Federal Court system and a few states use a similar method of calculation , it is nonetheless very difficult to determine. It should be noted that the federal post judgment interest statute, unlike H-7033, does allow for annual compounding of interest. See 28 U.S.C. §1961. Also, the calculation of interest under H-7033 is performed only once at a specified time. The rates used for calculation change often and are subject to various economic conditions and may not reflect current economic conditions when the judgment is ultimately paid. This will give a significant and unjust benefit to the Judgment Debtor at the expense of the Judgment Creditor which, again, is usually a small business suing on book account for money due for goods sold and services rendered. This problem is avoided when the judgment interest rate is set at a fixed higher level.

SUGGESTED AMENDMENT:

In the event this bill is passed, I strongly suggest that the bill be amended to also contain the phrase:

“This section shall not apply to any obligation imposed by statute, municipal ordinance or to any contractual obligation where an interest or penalty rate on the unpaid amount is already provided by the statute, ordinance or contract.”

The reason for the above amendment is to maintain the interest rate imposed by various statutes such as the interest rate imposed on unpaid state and municipal taxes and other obligations.

If, nevertheless, it is determined that the 12% per annum interest rate is high, I suggest lowering the rate but at a fixed annual rate.

Thank you for your consideration.

/s/Robert V. Rossi
Attorney at Law
Rossi Law Offices, Ltd.
Building C Suite 201
640 George Washington Hwy.
Lincoln, RI 02865