

BILL ANALYSIS

Senate Research Center
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S.B. 512
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

In 2022, PayPal announced a plan to charge consumers a \$2,500 fine for users found to have spread misinformation. The policy was set to go into effect on November 3, 2022. However PayPal decided to retract the plan after widespread criticism. The event brought attention to potential actions of money service businesses that could be used to control the broader activities of users.

S.B. 512 makes clear that a user cannot be fined for a violation of terms of services. This means that a user will not have to forfeit funds in their account. However, the legislation does not impact the ability of a private enterprise to pick and chose their customers.

Key Provisions

- Prohibits money transmission license holders from imposing a fine on consumers as a result of a violation of terms of service by the customer.
- Clarifies that a money transmission license holder retains the right to close a customer account as a result of a violation of terms of service by the customer.
- A money transmission license holder who imposes a fine on a customer is liable to the state for a civil penalty for an amount three times the fee imposed on the consumer.

As proposed, S.B. 512 amends current law relating to prohibiting the imposition of a monetary fine or penalty for a violation of a money services business's terms of service agreement and provides a civil penalty.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends the heading to Subchapter G, Chapter 152, Finance Code, to read as follows:

SUBCHAPTER G. GENERAL DUTIES AND RESTRICTIONS FOR MONEY TRANSMISSION LICENSEE

SECTION 2. Amends Subchapter G, Chapter 152, Finance Code, by adding Section 152.305, as follows:

Sec. 152.305. PROHIBITION ON IMPOSITION OF FINE OR PENALTY FOR TERMS OF SERVICE VIOLATION. (a) Prohibits a money transmission licensee from including in the licensee's terms of service agreement a provision allowing or providing for a monetary fine or penalty for violating any provision of the terms of service agreement.

(b) Prohibits this section from being construed to prevent a money transmission licensee from closing a customer account as a result of a customer's violation of the licensee's terms of service agreement.

(c) Provides that, in addition to any other relief provided for a violation of this chapter, a money transmission licensee that violates this section is liable to this state for a civil penalty in an amount equal to three times the amount of the fine or penalty imposed by the licensee.

(d) Authorizes the attorney general to bring an action in the name of the state to recover the civil penalty under Subsection (c). Authorizes the attorney general to recover attorney's fees and costs incurred in bringing an action under Subsection (c).

SECTION 3. Provides that this Act applies only to a terms of service agreement entered into after the effective date of this Act. Provides that a terms of service agreement entered into before the effective date of this Act is governed by the law as it existed immediately before the effective date of this Act, and the former law is continued in effect for that purpose.

SECTION 4. Effective date: September 1, 2025.