

Written Testimony
Rhode Island House Judiciary Committee
Regarding HB 7080, Third-Party Litigation Financing Consumer Protection Act

Position on HB 7080:

Opposition as drafted

Submitted by:

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Chair and Members of the House Judiciary Committee:

Thank you for the opportunity to submit written testimony regarding HB 7080. My name is Eric Schuller, and I serve as President of the Alliance for Responsible Consumer Legal Funding (ARC), the nation's largest trade association representing companies that provide consumer legal funding to injured individuals with pending legal claims.

At the outset, I want to be clear. ARC supports regulation of consumer legal funding. We welcome reasonable oversight, transparency, and consumer protections, and we have consistently worked with lawmakers, regulators, and stakeholders to achieve those goals. Regulation done properly preserves access while ensuring meaningful safeguards for consumers who are often facing severe financial hardship.

However, while HB 7080 is framed as a consumer protection measure, in its current form it would not regulate consumer legal funding in Rhode Island. Instead, it would eliminate the product entirely, cutting off access for the very consumers the bill is intended to protect

ARC's Collaborative Legislative Approach

ARC has a long track record of working collaboratively with APCIA, regulators, and other interested parties to develop agreed-to legislation that balances consumer protections with continued access to consumer legal funding. In multiple states, that collaborative approach has resulted in comprehensive regulatory frameworks that include registration requirements, disclosures, prohibitions on improper conduct, and strong enforcement mechanisms, while still allowing the product to exist for consumers who need it.

We believe this collaborative model works. It ensures transparency and accountability without unintentionally eliminating a lawful, court-recognized product. ARC hopes to continue that same constructive dialogue here in Rhode Island. We stand ready to engage with legislators, regulators, and other stakeholders to work toward an agreed-to bill that truly protects consumers without depriving them of access to financial support during a period of crisis.

Consumer Legal Funding Serves a Critical Need

Consumer legal funding provides limited, non-recourse funds to individuals who have suffered injuries and are awaiting resolution of a legal claim. These funds are used for basic household needs such as rent, utilities, groceries, and medical expenses, not to finance litigation. If there is no recovery, the consumer owes nothing.

For many Rhode Islanders, this product serves as a financial bridge during an already vulnerable period. Eliminating access does not remove the underlying financial pressure. It simply forces consumers into worse alternatives or compels premature settlements that may undermine their legal rights.

Prohibition on Assignment and Securitization Eliminates the Product

HB 7080 prohibits a litigation financier from assigning a litigation financing contract, including securitizing it, in whole or in part.

This provision is fatal to the product.

Consumer legal funding providers rely on the ability to raise capital through assignment or securitization in order to offer funds to consumers. These transactions are not about control over litigation. They are about liquidity and risk management. Without access to capital markets, providers cannot operate at scale or sustainably.

In practical terms, this prohibition would prevent companies from raising the capital necessary to offer consumer legal funding in Rhode Island. The result is not tighter regulation, it is market exit. The product would disappear entirely for Rhode Island consumers.

Automatic Disclosure of Contracts Harms Consumers

HB 7080 requires automatic disclosure of litigation financing contracts to all parties and makes the existence of such arrangements a permissible subject of discovery.

This requirement places consumers at a significant disadvantage.

Mandatory disclosure exposes a consumer's personal financial situation to opposing parties, the court, and potentially the public. This information can be used strategically to pressure injured individuals into accepting lower settlements based on perceived financial need rather than the merits of their claim.

Rather than protecting consumers, this provision risks undermining their bargaining position and compromising privacy, outcomes directly contrary to the stated goals of consumer protection.

Regulation That Eliminates Access Is Not Consumer Protection

Taken together, the prohibition on assignment and the automatic disclosure requirements ensure that consumer legal funding cannot function in Rhode Island. With these provisions in place, HB 7080 would not regulate the industry, it would eliminate it.

When consumer legal funding disappears, consumers do not suddenly become financially stable. They are pushed toward unsafe or unsuitable financial alternatives, forced to settle cases prematurely, or left without any viable means of meeting basic household needs while their legal claims proceed.

Conclusion

ARC supports regulation and welcomes continued dialogue. We have successfully worked with other stakeholders in other states to reach consensus legislation, and we respectfully hope to continue that process here in Rhode Island.

As drafted, HB 7080 would eliminate consumer legal funding in Rhode Island and deprive injured consumers of an important financial option at their moment of greatest vulnerability. We urge the Committee to reconsider these provisions and engage with stakeholders to craft legislation that truly balances consumer protection with consumer access.

Thank you for your time and consideration.

Respectfully submitted,

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