



February 26, 2026

Representative Carol Hagan McEntee
Chair, House Committee On Judiciary
Rhode Island State House
Providence, RI 02903

Re: House 7751 – An Act Relating To Courts And Civil Procedure – Procedure Generally –
Litigation Lending Agreements

Dear Chair McEntee:

This statement in support of House 7751 is submitted by the American Property Casualty Insurance Association (APCIA).¹ House 7751 would subject predatory litigation lending agreements to the state usury loan law and its cap of 21% interest.

Predatory litigation lending is the relatively recent phenomenon of external entities (hedge funds, etc.) financing civil legal actions on behalf of plaintiffs, in exchange for a percentage of the plaintiff's recovery. In essence, these private finance firms turn the judicial system into an investment market as an otherwise uninterested party is betting on the outcome of litigation for prospective profit.

Litigation lenders claim that because they label their loans “non-recourse,” that they are instead providing financing agreements. That is likely inaccurate. According to a 2024 Consumer Financial Protection Bureau (CFPB) interpretive ruling² supported by Rhode Island Attorney General Peter Neronha,³ “credit” under the Truth in Lending Act (TILA, 15 U.S.C. 1601 et seq.) and Regulation Z is “the right to defer payment of debt or to incur debt and defer its payment and “debt” under those rules “includes any obligation by a consumer to pay another party.” Rhode Island state law has very similar definitions.⁴

¹ Representing 67% of the U.S. property casualty insurance market, APCIA promotes and protects the viability of private competition for the benefit of consumers and insurers. APCIA members represent all sizes, structures, and regions, which protect families, communities, and businesses in the U.S. and across the globe. Several APCIA members are located in Rhode Island and many more do business here. APCIA members are integral to the state of Rhode Island. They write 76% of the property casualty insurance sold in this state. The P&C insurance industry employs over 3,200 Rhode Islanders, provides annual assistance of \$1.5 billion in claim payments to help customers in the state, and contributes over \$160 million annually to the state in premium taxes.

² https://files.consumerfinance.gov/f/documents/cfpb_paycheck-advance-marketplace_proposed-interpretive-rule_2024-07.pdf

³ <https://www.mass.gov/doc/aug-2024-comment-letter-cfpb-proposed-interpretive-rule-earned-wage-access/download>

⁴ R.I. Gen. Laws § 19-14.9-3:

(3) “Creditor” means any person who offers or extends credit creating a debt or to whom a debt is owed, but the term shall not include a person to the extent that he/she receives an assignment or transfer of a debt in default solely for the purpose of facilitating collection of the debt.

(4) “Debt” means any obligation or alleged obligation of a consumer to pay money arising out of a transaction in which the money, property, insurance, or services that are the subject of the transaction are primarily for personal, family, or household purposes, whether or not the obligation has been reduced to judgment.

Using those definitions, the so-called “financing agreements” of litigation lending are clearly loans that extend credit and create debt.

Multiple states, including Maryland⁵ and West Virginia⁶ regulate third party litigation financing under their consumer lending statutes, including requiring TPLF to be subject to the state’s usury interest rate. A New York trial court in a strict liability labor case found “low, if any risk” of the litigation funder not recovering and thought it “ludicrous to consider this transaction anything else but a loan.”⁷ In North Carolina, a state court of appeals found that a TPLF agreement was an investment but concluded that the investment constituted a “cash advance” subject to the state’s usury law.

Predatory litigation lending agreements would be far less predatory if, as H.7751 proposes, they were properly recognized as loans, providing consumers with up-front funds that they will be obligated to repay when their case ends. Litigation lending and its use of supposed “non-recourse” lending to avoid conventional disclosure and oversight of lenders is merely a new twist on a very old theme -- third parties seeking to profit off claimants’ injuries. Invest, fund, and build up damages that would otherwise not exist so that the financier can profit. This is not a victimless act. All policyholders pay for these efforts in their insurance premiums.

However, merely required litigation lending to be subject to usury laws but otherwise outside of Rhode Island’s lending laws makes little sense. We urge this bill to be expanded to fully treat litigation lenders as lending institutions, which would, in addition to the usury law, subject them to regulatory oversight, licensing, and reporting requirements.

In sum, APCIA supports H.7551 in addition to a bill heard earlier by the Committee, H.7080 as different approaches to handle the same problem. The former regulates litigation financing as a loan and the latter subjects its practitioners to registration and disclosure.

APCIA stands ready to assist the committee on this issue and appreciates the opportunity to provide these comments.

Very truly yours,



Jonathan Schreiber
Associate Vice President, State Government Relations
American Property Casualty Insurance Association

RI Gen Laws § 6-27-3.

“Credit” means any ... advance... any conditional sales contract... any option, demand, lien, pledge, or other claim against or for the delivery of property or money....

⁵ Md. Code Fin. Inst. Art. §11-201 et seq. and Md. Code Com. Law. Art. §12-301 et seq.

⁶ https://www.wvlegislature.gov/Bill_Text_HTML/2024_SESSIONS/RS/bills/sb850%20sub1.pdf

⁷ Echeverria v Estate of Lindner,

<https://law.justia.com/cases/new-york/other-courts/2005/2005-50675.html>, The court finds that LawCash is lending money at usurious rates. Also, that it is ludicrous to consider this transaction anything else but a loan unless the court was to consider it legalized gambling. Is it a gamble to loan/invest money to a plaintiff in a Labor Law action where there is strict liability? I think not. In fact, it might be considered a "sure thing." In any event, the only gambling allowed in this state is run by the state or on Native American facilities. Thus, it is not a gamble, but a "sure thing", therefore, it is a loan, not an investment with great risk. If it is a loan, then the interest rate charged is usurious and the court could vitiate the agreement.

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