

**Alliance for Responsible Consumer Legal Funding (ARC)
Written Testimony in Opposition to SB 3196
Before the Rhode Island Senate Committee on Judiciary**

**To: Senator Matthew L. LaMountain, Chair
And Members of the Senate Committee on Judiciary**

Chair LaMountain and Honorable Members of the Committee:

My name is Eric Schuller, and I serve as President of the Alliance for Responsible Consumer Legal Funding (ARC), the largest trade association representing companies that provide consumer legal funding across the United States. ARC and its members are committed to transparency, ethical practices, and ensuring that consumers have access to responsible financial options while their legal claims are pending.

I appreciate the opportunity to submit testimony regarding SB 3196, legislation relating to litigation lending agreements. While we respect the intent of the legislature to protect consumers, we must respectfully oppose this bill because, as drafted, it would not regulate consumer legal funding, it would effectively eliminate it, thereby harming the very consumers it seeks to protect.

Consumer Legal Funding: A Critical Financial Lifeline

Consumer legal funding provides funds to plaintiffs who are often facing financial hardship due to an injury or unresolved legal claim. These funds are non-recourse, meaning that repayment is only required if there is a successful recovery in the underlying case. If the consumer does not recover, they owe nothing.

This structure is fundamentally different from a traditional loan. There is no guaranteed repayment, no collateral, and no personal liability. The funding company assumes significant risk, and pricing reflects that risk.

Consumers use these funds for essential, everyday expenses such as:

- Rent or mortgage payments
- Utilities
- Food and transportation
- Medical care

Without access to this option, many consumers are forced into untenable financial situations while waiting months or years for their cases to resolve.

How SB 3196 Harms Consumers

SB 3196 would classify all litigation funding agreements as loans and subject them to Rhode Island's usury laws, regardless of their non-recourse nature. This reclassification creates several critical issues:

First, it ignores the fundamental structure of consumer legal funding. By treating a contingent, risk-based transaction as a traditional loan, the bill imposes a framework that does not align with how the product actually works.

Second, it makes the product economically unworkable. Funding companies assume the full risk of loss, including the possibility of receiving no repayment. Applying traditional interest rate caps designed for low-risk loans makes it impossible to price for that risk. The result is not regulation, it is the elimination of the product.

Third, it removes a vital financial safety net for consumers. Without access to consumer legal funding, individuals facing financial pressure may be forced to:

- Accept significantly lower settlement offers
- Settle cases prematurely
- Turn to higher-risk alternatives such as credit cards or predatory lending products

This shifts leverage away from injured consumers and toward well-funded defendants and insurance companies.

Unintended Consequences for the Legal System

Beyond consumer harm, SB 3196 would negatively impact the broader legal system. By increasing financial pressure on plaintiffs, the bill encourages early and potentially unjust settlements. This undermines the ability of individuals to fully pursue their legal rights and obtain fair outcomes.

The result is a less balanced system where financial resources, rather than legal merit, play a greater role in determining outcomes.

A Better Path Forward: Meaningful Regulation

ARC is not opposed to regulation. To the contrary, we strongly support reasonable, transparent, and enforceable consumer protections. Across the country, we have worked collaboratively with legislatures to develop frameworks that protect consumers without eliminating access to funding.

We respectfully submit that a more effective approach would include:

- Clear, standardized disclosures so consumers understand the full cost of funding
- Transparent pricing structures with no hidden fees
- Strong consumer protections, including rescission rights
- Prohibitions on unfair or deceptive practices
- Attorney acknowledgment to ensure transparency in the transaction

States that have adopted these types of frameworks have successfully balanced consumer protection with continued access to funding.

ARC's Commitment to Collaboration

We stand ready and willing to work with you, Chair LaMountain, and the members of this Committee to craft legislation that achieves the shared goal of protecting consumers.

Our objective is simple: to ensure that consumers have access to a transparent, fair, and well-regulated financial tool that allows them to meet their everyday needs while pursuing justice through the legal system.

SB 3196, as currently drafted, does not achieve that goal. Instead, it would eliminate an important resource and leave consumers with fewer, and often worse, alternatives.

Conclusion

For these reasons, we respectfully urge the Committee to oppose SB 3196 in its current form and instead engage with stakeholders to develop a balanced regulatory framework that protects consumers without removing their access to critical financial support.

Thank you for your time and consideration. I would welcome the opportunity to discuss this further and to work collaboratively toward a constructive solution.

Respectfully submitted,

Eric Schuller

President

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