House Votes to Strip Americans' Right to Their Day in Court

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Senate can halt effort to repeal CFPB rule limiting forced arbitration clauses that block class actions against banks, payday lenders

WASHINGTON, D.C. – Today, the U.S. House of Representatives voted to block a new Consumer Financial Protection Bureau (CFPB) rule that restores critical consumer rights. The CFPB's rule, released earlier this month, prohibits the use of forced arbitration clauses with class action bans in bank, payday loan, and other financial service contracts. The resolution to block the rule now moves to the Senate, where an obscure law can be used to repeal the consumer watchdog's rule by a simple majority vote.

"The House of Representatives just voted against The Military Coalition and all Americans, and chose instead to help Wall Street banks like Wells Fargo, which created 3.5 million fake accounts in every state in the country. Our military, veterans, and other consumers deserve their day in court when they are the victim of financial fraud," said Lauren Saunders, associate director of the National Consumer Law Center.

The Military Coalition, which represents 5.5 million service members, urged Congress to uphold the rule. Lenders have used forced arbitration to block servicemembers from court.

The CFPB final rule came after a multi-year study, directed by Congress in 2010, into the use and outcomes of arbitration and a lengthy comment period following the release of the proposed rule last year. Acting in the best interests of consumers, the CFPB moved to restore our constitutional right to a trial by jury when addressing a dispute with a bank or predatory payday lender.

Bank lobbyists have claimed that consumers recover more in arbitration than in class actions, a patently false claim refuted by the CFPB's study.

"From 2008 to 2012, at least 160 million class members were eligible for $2.2 billion in relief from financial wrongdoing after deducting attorneys' fees–compared to arbitration awards averaging less than $200,000 a year for a few dozen people each year," Saunders said. **"Few people can spare the time or effort to pursue claims individually in arbitration, but class actions are an efficient way to help millions of consumers defrauded by small amounts."**

Barring forced arbitration clauses in contracts with class action bans allows individuals to join together with other victims of fraud and wrongdoing to hold violators accountable, something Wall Street banks and predatory lenders are fighting tooth and nail to prevent.

"I hope the Senate will listen to The Military Coalition, which noted: 'Forced arbitration is an un-American system wherein servicemembers' claims against a corporation are funneled into a rigged, secretive system in which all the rules, including the choice of the arbitrator, are picked by the corporation,'" said Saunders.

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Since 1969, the nonprofit National Consumer Law Center® (NCLC®) has used its expertise in consumer law and energy policy to work for consumer justice and economic security for low-income and other disadvantaged people, including older adults, in the United States. NCLC's expertise includes policy analysis and advocacy; consumer law and energy publications; litigation; expert witness services, and training and advice for advocates. NCLC works with nonprofit and legal services organizations, private attorneys, policymakers, and federal and state government and courts across the nation to stop exploitative practices, help financially stressed families build and retain wealth, and advance economic fairness.