

Rule to Rein in Illegal Business Practice Gains Key Support from Congress

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Advocates Say Forced Arbitration Denies Americans' Constitutional Right

(WASHINGTON) Today, more than 100 members of Congress applauded the Consumer Financial Protection Bureau (CFPB)'s proposed rule to restore consumers' right to join together to hold corporations accountable when they break the law in two letters from the House and Senate. The CFPB's rule would limit the financial industry's use of forced arbitration – an abusive practice in which banks and predatory lenders bury “ripoff clauses” in the fine print of take-it-or-leave-it contracts to block consumers from challenging illegal practices such as hidden fees and fraud. “Fine print clauses give corporate lawbreakers a get-out-of-jail-free card, denying people access to the courts and forcing them into a secretive, biased and lawless forced arbitration,” said National Consumer Law Center Associate Director Lauren Saunders. “It makes a strong statement that more than 100 of our elected leaders back the CFPB to restore our constitutional right.”

The Senate letter, led by Senate Minority Leader Harry Reid (D-Nev.), Senators Al Franken (D-Minn.), Patrick Leahy (D-Ver.), and Sherrod Brown (D-Ohio), stressed that forced arbitration “shields corporations from accountability for abusive, anti-consumer practices, which only encourages unscrupulous business practices by allowing violations of the law to go unchecked...at the expense of consumers, small businesses, and—just as importantly—law abiding businesses.” The thirty-eight Senators went on to “commend the CFPB for its comprehensive study and for carefully considering extensive public input before issuing its final proposal.”

The House of Representatives letter, spearheaded by Representatives Maxine Waters (D-Calif.), Hank Johnson (D-Ga.), and John Conyers (D-Mich.), hailed the rule as “a critical step to protect the public interest by ensuring that consumers receive redress for systemic unlawful conduct.” The sixty-five Representatives concluded that the Bureau's “comprehensive study on forced arbitration unequivocally demonstrates that the proposed rule is necessary to the public interest and consumer welfare” and emphasized that Congress “entrusted the Bureau with authority to extend these protections to the rest of the financial services marketplace.”

These letters add to the broad support the CFPB's proposed rule has received thus far. In April, 164 organizations that advocate on behalf of consumers, students, civil rights, labor, small business, and more – including the National Consumer Law Center – sent a letter to the CFPB urging the agency to act on its Congressional authority to restrict forced arbitration.

The rule is open to public comment through August 22.

For more information on the National Consumer Law Center's work on fair arbitration and access to justice, please visit: <https://www.nclc.org/issues/arbitration-a-access-to-justice.html>.

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