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CFPB’s New Study Supports Need for Quick Action to End Forced Arbitration in Consumer Financial Product Agreements

(WASHINGTON) Today, the Consumer Financial Protection Bureau (CFPB) released its final report on the use of forced arbitration clauses in agreements for consumer financial products. According to an analysis by advocates at the National Consumer Law Center (NCLC) and the National Association of Consumer Advocates (NACA), the CFPB’s empirical report—which is more than 700 pages long—supports prohibiting contract clauses that prohibit consumers of financial products from going to court. “The findings of the CFPB’s study are crystal clear. These clauses are written by corporations to set up a secret and lawless process that prevents consumers from holding corporations accountable for unlawful conduct,” said National Consumer Law Center attorney David Seligman. “The CFPB should act quickly to ban forced arbitration in consumer financial contracts,” he added.

Together with its preliminary results, published in December 2013, the CFPB’s completed study establishes that the fine print of contracts for most consumer financial products, including credit cards, checking accounts, payday loans, prepaid cards, and student loan contracts, often deprive consumers of access to justice. The study also confirms that consumers have absolutely no idea they are giving up constitutional rights and surrendering their day in court. In fact, fewer than seven percent of the consumers surveyed by the CFPB that are covered by arbitration clauses realized that the clauses restricted their ability to sue in court. The CFPB concluded arbitration clauses can be a barrier to consumers getting relief from class actions. Roughly 34 million consumers could have been eligible for at least $1.1 billion in cash payments based on its review of class actions relief during a five-year period. “Because over 90 percent of these clauses require consumers to pursue their claims on their own, many consumers never have an opportunity to have their claims heard. Forced arbitration isn’t an alternative forum for resolving disputes; it’s a get-out-of-jail free card for corporations,” said NACA Legislative Director Ellen Taverna.

In 2010, Congress authorized the CFPB to prohibit or limit forced arbitration but first required the agency to study the issue. Now that the completed study finds that forced arbitration is used
to insulate wrongdoers from justice, the CFPB must prohibit the practice in financial products under its jurisdiction.

NCLC, on behalf of its low-income clients, and NACA launched a petition asking the CFPB to stand up for consumers and restore their right to hold financial institutions accountable when they break the law.


Since 1969, the nonprofit National Consumer Law Center® (NCLC®) has worked for consumer justice and economic security for low-income and other disadvantaged people, including older adults, in the U.S. through its expertise in policy analysis and advocacy, publications, litigation, expert witness services, and training. [www.nclc.org](http://www.nclc.org)

The National Association of Consumer Advocates (NACA) is a nonprofit association of more than 1,500 consumer advocates and attorney members who represent hundreds of thousands of consumers victimized by fraudulent, abusive and predatory business practices. As an organization fully committed to promoting justice for consumers, NACA’s members and their clients are actively engaged in promoting a fair and open marketplace that forcefully protects the rights of consumers, particularly those of modest means. [www.consumeradvocates.org](http://www.consumeradvocates.org)