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**FOR IMMEDIATE RELEASE**

**CFPB Proposal Takes First Step to Remedy the Problem of Forced Arbitration**

***Eliminating Class Act Bans in Financial Services Will Restore Access to Remedies for Millions***

WASHINGTON, DC/DENVER − At a field hearing in Denver today, the CFPB will begin discussion on its [first outline for a proposed rule](http://files.consumerfinance.gov/f/201510_cfpb_small-business-representatives-providing-feedback-to-the-small-business-review-panel.pdf) on the use of forced arbitration in financial services, and will take feedback from a panel of consumer and industry representatives. The CFPB proposal would restore the ability of millions of consumers deceived or defrauded by financial practices to band together in class actions to seek remedies for harm. However, the proposal does not eliminate arbitration clauses. Companies will still be able to require arbitration in their take-it-or-leave-it contracts with consumers, just not on a class basis. The National Association of Consumer Advocates has long advocated for the elimination of forced arbitration clauses.

Ira Rheingold, NACA’s executive director who will testify on the panel at today’s hearing, said:

 “For far too long, big banks and other financial service industry players have used secret and unfair “contract” terms to avoid accountability and deny consumers their day in court. Today, the CFPB, with these initial proposals have taken an important first step in restoring fundamental consumer rights and leveling the playing field between powerful businesses and their customers.”

Forced arbitration describes terms in corporate contracts that force consumers to surrender their right to sue as a condition to receiving a product or service. Instead, consumers are required to resolve disputes against corporations in private arbitration proceedings. In forced arbitration, the proceedings are secret unlike the public court system; the companies pick the arbitration provider making it a favorable environment for them; and appeals of arbitrators’ decisions are rarely permitted. These terms often also prohibit class actions, arguably the worst aspect of these restrictive clauses.

In March 2015, the CFPB released a comprehensive, 728-page three-year study on forced arbitration in consumer financial services that demonstrated a fundamental lack of access to justice for millions of consumers and an ongoing risk of harm to the financial markets due to insufficient corporate accountability.  The study closely examined the impact of arbitration clauses that eliminate consumer participation in class actions.

It is up to the CFPB to follow up on its diligent work. It must exercise its statutory authority to fully restore consumers’ access to the court system so they can seek accountability in court when harmed by financial institutions.

For more information, please visit the National Association of Consumer Advocates at <http://consumeradvocates.org/category/tags/forced-arbitration>.

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