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Groups Urge Consumer Financial Protection Bureau to Heed Lawmakers' Call for Agency to Protect Consumers From Forced Arbitration

58 Members of Congress Today Urged Rule on Forced Arbitration

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WASHINGTON, D.C. – The Consumer Financial Protection Bureau (CFPB) should heed today's call by 58 lawmakers for the agency to protect consumers from forced arbitration clauses in financial services contracts, four public interest organizations said today.

Lawmakers from the U.S. House of Representatives and U.S. Senate [sent a letter \(PDF\)](#) to Richard Cordray, director of the Consumer Financial Protection Bureau, urging the bureau to exercise its authority under Section 1028 of the Dodd-Frank Wall Street Reform and Consumer Protection Act to issue a rule that would prohibit financial services companies from using terms in their contracts that force consumers to resolve disputes in private arbitration instead of court. These terms — known as forced arbitration — are ubiquitous in contracts for many everyday financial services that almost all Americans use at some point, like banking and credit cards, student and car loans, and more.

The [letter \(PDF\)](#), led by U.S. Sen. Al Franken (D-Minn.) and U.S. Rep. Hank Johnson (D-Ga.), noted that a recently released CFPB study “underscores the devastating effects of forced arbitration on tens of millions of consumers” who use financial services and products.

Public Citizen, National Association of Consumer Advocates, Americans for Financial Reform and National Consumer Law Center applauded the lawmakers and urged the CFPB to act.

“It’s clear the lawmakers appreciate the powerful data in the CFPB report that prove forced arbitration is simply unfair and everywhere in consumer financial services,” said Christine Hines, consumer and civil justice counsel with Public Citizen. “It is fitting for them to join consumers across the country calling on the CFPB to relieve us all of this burden by simply restoring what financial institutions have unjustly taken: our access to the court system.”

Added Lisa Donner, executive director of Americans for Financial Reform, “When a financial services company breaks the law and harms consumers with abuses like hidden fees or worthless add-on products, each individual consumer’s losses may be too small to make legal action feasible, even if the total profit for the company is substantial. That’s one important reason why consumers need to be able to band together to seek justice under the law. We commend Sen.

Franken, Rep. Johnson and all the members of Congress who joined this letter for urging the CFPB to return consumers' right to hold corporations accountable in court."

"For far too long, corporations and Wall Street banks have been getting away with cheating and defrauding Americans without ever being held accountable for their actions with the use of forced arbitration," said Ellen Taverna, legislative director at the National Association of Consumer Advocates. "We applaud these members of Congress for encouraging the CFPB to use its authority to prohibit forced arbitration in consumer financial products and restore consumers' rights to protect themselves."

David Seligman, staff attorney at the National Consumer Law Center, said, "The CFPB's study has concluded that forced arbitration clauses undermine consumers' most hard-fought rights by preventing them from standing up to corporate wrongdoing. These members of Congress recognize the urgency of the problem and the CFPB's unique authority and opportunity to solve it."

The CFPB's [March 2015 report](#) showed that very few consumers go to arbitration; that virtually all arbitration clauses restrict consumers from banding together in class actions; that most consumers are unaware of the existence and consequences of forced arbitration; and that arbitration clauses are prevalent in financial services contracts.

For more information, visit FairArbitrationNow.org.

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