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ATTORNEY GENERAL MADIGAN JOINS 18 STATES CALLING FOR LIMITS ON MANDATORY ARBITRATION CLAUSES

Multistate Letter to Consumer Financial Protection Bureau Requesting Restoration of Consumer Protections

Chicago — Attorney General Lisa Madigan today joined with 17 other states in supporting the Consumer Financial Protection Bureau (CFPB) and its proposed rule to limit the use of mandatory pre-dispute arbitration clauses in contracts for financial products and services.

The [multistate letter](#) was sent on Thursday to CFPB Director Richard Cordray to support a CFPB rulemaking that would restore consumers' rights to assert their claims in court in class or group actions in disputes with financial institutions.

Mandatory pre-dispute arbitration clauses are routinely inserted by financial institutions into contracts for financial products such as credit cards, payday loans and checking accounts. These clauses typically include language prohibiting consumers from pursuing a claim against the financial institution in court and restricting the consumers' rights to participate in a class action. The prohibition on participating in class or joint cases makes it prohibitively expensive for individual consumers to pursue their claims against financial institutions. Also, unlike court proceedings, arbitration matters are usually decided in secret and the decisions are not appealable.

"The presence of mandatory pre-dispute arbitration clauses in contracts means that many serious violations of law will go undetected, undeterred, and unremedied," the letter states.

The CFPB's proposed rule would prohibit financial institutions from barring class actions through arbitration clauses and restore to consumers their right to form or join a class action in a judicial forum. As explained in the letter, class actions are a critical tool for individual consumers without resources to hire an attorney and pursue a claim on their own against large, sophisticated businesses.

Joining Illinois in sending the letter to the CFPB were California, Delaware, the District of Columbia, Hawaii, Iowa, Maine, Maryland, Massachusetts, Mississippi, New Hampshire, New York, Oregon, Pennsylvania, Rhode Island, Vermont, Virginia and Washington.