

financialservices.house.gov

## Rep Cmte Financial Services

### Contact:

## House Moves to Block CFPB's Trial Attorneys Relief Act

Washington, Jul 25 -

The House voted 231-190 Tuesday to block a controversial rule by the Consumer Financial Protection Bureau (CFPB) that would benefit class action trial attorneys and harm consumers.

Using authority provided under the Congressional Review Act (CRA), the resolution of disapproval also prevents the CFPB from issuing a similar rule in the future.

House Financial Services Chairman Jeb Hensarling (R-TX) delivered the following [remarks](#) on the floor during debate on the measure:

Hardworking Americans want something different in their nation's capital. They want to change the toxic culture in Washington, DC that for far too long has allowed unaccountable bureaucrats to overreach and overregulate. The best way we can change Washington is to begin to drain the bureaucratic swamp. But it's not easy, because as we've seen over the last six months, the swamp fights back.

The most recent example of this is a rule issued by one of the swampiest of Washington bureaucracies, the Orwellian-named Consumer Financial Protection Bureau. We all know that this is a rogue agency with a checkered past chock-full of rampant allegations of abuse, racial and gender discrimination, and big government nanny-ism which constantly makes credit more expensive and less available for hardworking Americans. So radical is this agency, and so extreme in lacking accountability, that a three judge panel of the DC Circuit Court of Appeals declared the Bureau's governing structure unconstitutional.

Now this unaccountable bureaucracy has joined forces in an unholy alliance with one of the Democrat Party's favorite special interest groups, namely the trial lawyers lobby. And this unholy alliance will specifically deprive consumers of a low-cost, easy way to resolve legal disputes that can be accomplished without hiring trial attorneys.

What the Bureau and the wealthy trial lawyers want is to take away arbitration for consumers and instead force them into class action lawsuits – which, just so happens, to require consumers to hire the very trial lawyers who will benefit most from this rule.

Americans were promised a Consumer Financial Protection Bureau but instead they obviously got a Trial Lawyer Enrichment Bureau.

And, oh, by the way, the director of this swampy bureaucracy rushed this regulation onto the books because it is widely reported he is on the way out the door to run for political office in Ohio.

Let's be clear: one unaccountable bureaucrat has decided that he knows better than the American people, and he has acted unilaterally to dictate the terms of contracts in a way that will actually increase consumer costs and reduce consumer choice.

In a free and democratic society, no one unelected individual should possess this much power. Making consumers pay more for less is the exact opposite of "consumer protection," but it is exactly what this regulation means for every American.

This regulation will perpetuate a justice gap that takes away a quicker, less expensive legal option for low-income and middle-income Americans. Even the CFPB's own study says this.

The Bureau's own study found that 87 percent of the class actions it examined resulted in no consumer benefit. In the mere 13 percent that actually provided some benefit, the average payout per consumer? \$32. How much did the trial attorneys make? 31,000 times that amount. So we have an average payout of \$32 for the consumers; millions for the trial attorneys. No wonder the powerful trial attorneys lobby is so eager to see this rule go into effect.

The Bureau's own study also concludes that arbitration is less expensive for consumers and up to 12 times faster than litigation. Consumers who obtain relief in arbitration recovered in the CFPB study an average of \$5,389. Again, compare that to \$32 the average consumer received under the CFPB's study.

Now, we're about to hear some members on the other side of the aisle that somehow this resolution will deny consumers their day in court and that somehow big banks will be helped.

Well, the CFPB's own study shows that not a single class action it examined resulted in trial by a judge or a jury. So no consumer got his or her day in court under the Bureau's preferred class actions. Instead, we know consumers are far more likely to obtain decisions on the merits in arbitration.

And with this rule, we once again see our colleagues in the other party hurting small community banks and credit unions. I have a statement from the Independent Community Bankers of America – they're not Wall Street; this is small town community banks – and their statement says they "strongly oppose" this CFPB rule.

I also have a statement from the Credit Union National Association – again, not Wall Street, but credit unions – and they say the CFPB's rule will limit options for resolving disputes, could increase the number of frivolous lawsuits, and that credit union members "could...suffer when costs rise and resources are depleted" as a result of this rule.

Indeed, the CFPB itself estimates its final rule will increase costs for American businesses over \$1 billion per year.

That's money community banks and credit unions won't be able to lend to small businesses, to families and to American workers.

The CFPB's rule is bad for consumers, it's bad for community banks, it's bad for credit unions, it's bad for our economy. Washington should be focused on creating more jobs, not more class action lawsuits. It's time to fight the bureaucratic swamp, it's time to pass this resolution offered by Mr. Rothfus, and it's time to truly protect consumers instead of enriching trial lawyers.

