

HCS HB 519 -- LITIGATION FINANCING

SPONSOR: Schroer

COMMITTEE ACTION: Voted "Do Pass with HCS" by the Standing Committee on Judiciary by a vote of 13 to 4. Voted "Do Pass" by the Standing Committee on Rules- Administrative Oversight by a vote of 6 to 3.

This bill creates the "Litigation Financing Consumer Protection Act." A litigation financier shall not engage in litigation financing in this state unless he or she is registered and has filed an approved bond. The bill allows a consumer to assign a contingent right to the potential proceeds of a legal claim to obtain legal financing. The maximum interest rate a consumer shall pay for litigation financing is 17%. The bill also limits the annual fees that may be charged to the consumer, and provides that all such litigation financing transactions may not exceed a term of three years. The bill provides for certain disclosures that must be made in any litigation financing contract. The bill prohibits certain conduct by the litigation financier, including paying consideration to an attorney or medical provider, refer a consumer to any attorney or medical provider, or using false or misleading advertising.

PROPOSERS: Supporters say that this places a cap of 17% like other states have done, because some of the fees are exorbitant and litigation is often prolonged to drive up fees. This also puts a cap on the life of the loan. Business still booms even when there is a rate cap because the free market works when it is not hurting consumers. This is meant to rein in massive amounts of plaintiff litigation and the loans are not as high-risk as the industry says it is.

Testifying for the bill were Representative Schroer; United States Chamber of Commerce; Missouri Insurance Coalition; Missouri Chamber of Commerce and Industry; and Pfizer.

OPPONENTS: Those who oppose the bill say that there should not be rate caps; the free market should determine the rates. This is a mechanism to fund litigation.

Testifying against the bill were Eric Schuller, Alliance For Responsible Consumer Legal Funding; and Kelly Gilroy, American Legal Finance Association.