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Consumer advocates applauded the proposed rule released by the Consumer Financial Protection Bureau (CFPB) today to restore consumers' right to join together to hold corporations accountable when they break the law. The proposed rule would limit the financial industry's use of forced arbitration – an abusive practice in which corporations bury “ripoff clauses” in the fine print of take-it-or-leave-it contracts to block consumers from challenging predatory practices such as hidden fees, fraud, and other illegal behavior.

In forced arbitration, consumers lose the right to argue their case before an impartial judge and jury. Instead, big banks and abusive lenders are able to hire a private arbitration firm of their choosing to decide the dispute, and consumers have little opportunity to present evidence or appeal a bad decision. Nearly all financial ripoff clauses prohibit participation in class actions and even bar consumers from talking about what happened to them — which means that the public often never learns about corporate scams or fraud.

While the CFPB's current proposal does not end forced arbitration, it does prohibit companies from using one of the most damaging and common elements of the practice — bans on class actions. These bans prevent consumers who have suffered similar harms from joining together to take on a corporation as a group, effectively eradicating consumer claims and allowing corporations to break the law without consequence.

The agency's comprehensive study, released last year, revealed that very few consumers are able to challenge corporate fraud or abuse when forced to pursue a large company alone. By allowing consumers to once again band together to hold companies accountable, the CFPB will ensure that one of the corporate avenues for forcing consumers into individual arbitration is foreclosed.

Consumer advocates commend the CFPB for taking this crucial step to limit big banks' and other financial companies' efforts to escape accountability for breaking the law, and urge the agency to use the full force of its authority to restore consumers' right to choose how to resolve disputes with financial institutions in this, and every, context in the final rule.

STATEMENTS FROM ADVOCATES

Public Citizen

Robert Weissman, President

“Over the past decade, large corporations have converted the fine print in standard form and consumer contracts into an effective license to steal and escape liability for wrongdoing. Companies have discovered these ripoff clauses let them commit egregious wrongs and escape any accountability. The CFPB's proposed rule will end the worst elements of forced arbitration by restoring consumers' right to once again band together over shared wrongs.”

Americans for Financial Reform

Lisa Donner, Executive Director

“These clauses rob people not only of their constitutional right to go to court, but of the right to band together with others who have been damaged by the same corporate misconduct. Each victim is compelled to go it alone even if the cost of complaining far exceeds the damages in any particular case. And because the process usually also bars the parties from going public with their stories, forced arbitration serves as a way for companies to keep evidence of wrongdoing under wraps. It is excellent news for the public that the CFPB is using its statutory authority to propose action against this unconscionable practice in one of the areas of the market where it is especially pervasive and especially damaging.”

Alliance for Justice

Nan Aron, President

"For far too long, large corporations have abused American consumers by forcing them to resolve disputes through the grossly unfair process of forced arbitration and by barring class action lawsuits, thereby insulating corporate misbehavior from the corrective force of the legal system. The proposed rule by the CFPB eliminating the ban on class actions within the financial industry is an enormous step forward toward restoring the right to band together with others who have been harmed to redress grievances through the courts. Importantly, it also revives one of the most effective mechanisms for reining in systemic misbehavior and for ensuring accountability."

American Association for Justice

Larry Tanwater, President

"Forced arbitration allows Wall Street to evade vital consumer protection laws designed to ensure that even the most powerful financial institutions follow the rules. The CFPB's proposal to restore the right of Americans to join together to hold Wall Street accountable is a significant step forward, but we urge the Bureau to establish a strong final rule that restores the right of all Americans, including those seeking justice on an individual basis, to choose whether and how to enforce their rights."

Center for Justice & Democracy

Joanne Doroshov, Executive Director

"We commend the CFPB for proposing a strong rule to prevent law-breaking financial institutions from using 'fine print' arbitration clauses to ban class actions. Class actions are critical for holding companies accountable in court. Since most cases are too expensive and difficult to bring individually, these ripoff clauses result in the disappearance of claims and immunity for the wrongdoer. The CFPB has taken an important step to ensure corporate accountability and protect our rights."

Center for Progressive Reform

Martha McCluskey, Member Scholar at the Center for Progressive Reform and contributing author of [a new paper](#) on forced arbitration

"Compared to the courts, forced arbitration tilts the scales of justice against consumers. The CFPB has taken an important first step in addressing this problem with its proposal to eliminate bans on class-action lawsuits when Americans are harmed by big banks and other financial services corporations."

Consumer Action

Linda Sherry, Director of National Priorities

"While we had hoped that the CFPB would ban the use of forced arbitration clauses buried in the fine print of most cell phone, credit card and student loan contracts, we applaud the Bureau's stand on an individual's right to band together in class-action lawsuits to right the financial wrongs that are too costly to bring one case at a time but must be banished from the marketplace. Class action lawsuits help deter other companies from contaminating the market with unfair and illegal schemes."

Consumers for Auto Reliability and Safety

Rosemary Shaban, President

"Every crook in the country is going to attack the CFPB over this proposed rule. Why? Because they have so much to lose, and we have so much to gain."

Main Street Alliance

Michelle Sternthal, Ph.D., Deputy Director of Policy & Government Affairs

"The Main Street Alliance and our member businesses applaud the CFPB for issuing a rule that will limit the ability of large corporations to skirt the rights of individual consumers and tip the scales in their own favor. There is no better time than Small Business Week to release this rule — one that protects small business owners from falling victim to forced arbitration and limits the ability of bad corporate actors to bury clauses in their contracts that rob consumers of their right to challenge their predatory practices."

National Consumer Law Center

Lauren Saunders, Associate Director

"Banks, payday lenders and financial scammers use ripoff clauses to keep their lawbreaking out of the public courts and to force consumers into a biased, secretive and lawless tribunal."

National Association of Consumer Advocates

Christine Hines, Legislative Director

"The CFPB action to restore consumers' right to band together to seek remedies for harm will improve financial institutions' accountability for their conduct. When corporate accountability improves in the marketplace, so will companies' good faith and fair treatment of their customers."

Public Justice

Paul Bland, Executive Director

"The CFPB's new rule essentially says that the financial industry can no longer rig the system to keep consumers out of court. Class actions are often the only way for consumers who have been wronged to get effective and meaningful justice. The CFPB rule is badly needed and long overdue. It is flat-out proof that the CFPB is looking out for consumers."