

CFPB Must Protect Consumers from Rip-Offs Hidden in the Fine Print

Public Citizen, Americans for Financial Reform and Hundreds of Groups Bolster the Case for Strong Consumer Protections Against Forced Arbitration and Class-Action Bans

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WASHINGTON, D.C. – The U.S. Consumer Financial Protection Bureau (CFPB) should limit the financial industry's use of forced arbitration clauses in contracts that prevent consumers from filing class-action lawsuits, [Americans for Financial Reform](#) and [Public Citizen](#) told the agency in separate comments filed late Monday. In addition, more than 280 groups submitted a joint [comment](#) bolstering the case for the CFPB's historic proposal and encouraging the agency to expand the scope of its rule.

The proposed rule would restrict “rip-off clauses” that Wall Street banks and predatory lenders have hidden in the fine print of contracts to block consumers from challenging illegal or abusive corporate behavior in court. Instead, these measures require consumers to file grievances in corporate-friendly arbitration systems with no juries, secret proceedings and few grounds for appealing a bad decision.

Crucially, many of these rip-off clauses also contain class-action bans, which prevent consumers who suffer similar harms from joining together to take on a corporation as a group. Few consumers can afford to fight a big corporation over a small-dollar rip-off all by themselves. The result is that corporations can break the law with impunity.

“Over the past decade, big corporations have converted the fine print in consumer contracts into a get-out-of-jail-free card,” said Robert Weissman, president of Public Citizen. “Companies have discovered that rip-off clauses let them get away with egregious wrongs. The CFPB’s rule will end the worst elements of forced arbitration by restoring consumers’ right to band together to fight shared wrongs.”

Arbitration clauses with class-action bans are hidden in the fine print of most consumer contracts involving credit cards, prepaid cards, bank accounts, payday loans and more. Once finalized, the CFPB’s landmark rule will protect tens of millions of American consumers.

Public Citizen and Americans for Financial Reform urged the agency to go beyond the class-action context and ban rip-off clauses that apply to individual claims as well. But even if it remains limited to prohibiting arbitration clauses that ban class actions, the rule will represent a crucial step forward and an important consumer protection, both groups said.

“The CFPB’s proposed rule to restore a crucial element of consumers’ ability to vindicate their rights in court will help make sure that big Wall Street banks and other financial companies are no longer above the law if they abuse their customers,” said Lisa Donner, executive director of Americans for Financial Reform. “In addition, it will make financial markets fairer and safer for all of us.”

The CFPB's proposed rule has generated more than 100,000 supportive comments from consumers across the country. It also has received enthusiastic support from more than 100 members of Congress in separate letters from the U.S. [House of Representatives](#) and the U.S. [Senate](#), as well as [18 state attorneys general](#), state legislators from 14 states and more than 200 [law school professors](#). The final rule is expected later this year.

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