

STATE OF NEW YORK

8653

2017-2018 Regular Sessions

IN ASSEMBLY

September 1, 2017

Introduced by M. of A. MAGNARELLI -- read once and referred to the
Committee on Consumer Affairs and Protection

AN ACT to amend the general business law, in relation to third party
litigation financing

The People of the State of New York, represented in Senate and Assem-
bly, do enact as follows:

1 Section 1. The general business law is amended by adding a new article
2 39-H to read as follows:

ARTICLE 39-H

THIRD PARTY LITIGATION FINANCING

Section 899-ccc. Definitions.

6 899-ddd. Contract requirements.

7 899-eee. Prohibitions.

8 899-fff. Registration.

9 899-ggg. Penalty for violation.

10 § 899-ccc. Definitions. As used in this article, the following terms
11 shall have the following meanings:

12 1. "Charges" shall mean the amount of money to be paid to the consumer
13 litigation funding company that exceeds the funded amount of principal
14 loan.

15 2. "Consumer litigation funding company" shall mean a person or entity
16 that enters into a consumer litigation funding contract to provide non-
17 recourse funding of no more than five hundred thousand dollars to a
18 consumer.

19 3. "Consumer litigation funding contract" shall mean a contract to
20 provide non-recourse funding of no more than five hundred thousand
21 dollars to a consumer on the contingent right to receive the funded
22 amount and agreed upon charges obtained in the event of a settlement,
23 judgment or award.

24 4. "Funded amount" shall mean the amount of money provided to the
25 consumer in consumer litigation financing.

EXPLANATION--Matter in italics (underscored) is new; matter in brackets
[-] is old law to be omitted.

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1 5. "Resolution date" shall mean the date the funded amount and agreed
2 upon charges are delivered to the consumer litigation financing company.

3 § 899-ddd. Contract requirements. 1. Consumer litigation funding
4 contracts shall contain a right of rescission, allowing the consumer to
5 cancel the consumer litigation funding contract without a penalty if the
6 consumer returns the full amount of disbursed funds to the company with-
7 in ten business days.

8 2. Consumer litigation funding contracts shall contain a written
9 acknowledgement by the attorney retained by the consumer that attests:

10 (a) the attorney is being paid on a contingency basis pursuant to a
11 written fee agreement; and

12 (b) the attorney is not receiving a referral fee from the litigation
13 funding company in connection with the consumer's funding.

14 3. Consumer litigation funding contracts shall clearly outline a sche-
15 duled fee structure that outlines repayment terms including:

16 (a) the funded amount plus charges written out as itemized amounts;

17 (b) the charges outlined as a percentage amount exceeding the funded
18 amount; and

19 (c) itemized one-time fees including paperwork processing and adminis-
20 trative fees.

21 4. Consumer litigation funding contracts shall contain a no penalty
22 provision for the pre-payment of the funded amount prior to the settle-
23 ment of his or her case. Such provision shall release the consumer from
24 any obligation to share his or her settlement or verdict.

25 § 899-eee. Prohibitions. 1. Consumer litigation funding companies
26 shall be prohibited from paying, accepting or offering referral fees or
27 any type of consideration to and from any medical providers, licensed
28 therapists or attorneys for referring a consumer to the company for the
29 purpose of entering into a consumer litigation funding contract.

30 2. The company shall be prohibited from making any inquiries with the
31 consumer's representative attorney that would violate the terms of the
32 attorney-client privilege at any point in time.

33 3. No attorney or law firm retained by a consumer who has entered into
34 a consumer litigation funding contract with a consumer litigation fund-
35 ing company may have a financial interest in said company.

36 4. Consumer litigation funding companies shall be prohibited from
37 attempting to obtain, or obtaining a waiver of any remedy, including but
38 not limited to, compensatory, statutory or punitive damages, that the
39 consumer might otherwise have.

40 5. Consumer litigation funding companies shall be prohibited from
41 attempting to effect arbitration or otherwise effect waiver of a consum-
42 er's right to trial by jury for complaints arising from the consumer
43 litigation funding contract.

44 6. Consumer litigation funding companies shall be prohibited from
45 assigning a consumer litigation funding contract in whole or in part.

46 7. Maximum amount of charges:

47 (a) the maximum amount of charges which may be assessed pursuant to a
48 consumer litigation funding contract shall not be in excess of the rate
49 prescribed in section fourteen-a of the banking law, when expressed as a
50 proportion of the funded amount; and

51 (b) any consumer litigation funding contract which exceeds such rate
52 shall be considered usurious as defined by section 5-501 of the general
53 obligations law.

54 § 899-fff. Registration. 1. Each consumer litigation funding company
55 that wishes to engage in business in the state of New York shall first
56 register with the New York department of financial services.

1 2. Each applicant's registration must be filed in a manner prescribed
2 by the New York department of financial services with an initial accom-
3 panied fee of five hundred dollars. Registrations must be renewed every
4 two years on or before the thirtieth day of September.

5 3. The New York department of financial services shall issue certif-
6 icates of registration after both understanding and attesting to the
7 character and fitness of the applicant company with sufficient reason to
8 believe the company will operate honestly and fairly.

9 § 899-ggg. Penalty for violation. Any company found in violation of
10 any provisions of this article in a specific funding case, waives its
11 right to recover both the funded amount and any additional fees in that
12 particular case.

13 § 2. This act shall take effect on the one hundred eightieth day after
14 it shall have become a law.