

# STATE OF NEW YORK

8653--A

2017-2018 Regular Sessions

## IN ASSEMBLY

September 1, 2017

Introduced by M. of A. MAGNARELLI, TAYLOR, VANEL, COOK, SIMON, SEAWRIGHT, NIOU, RIVERA, WRIGHT, WOERNER, MAGEE, D'URSO, ARROYO, LAVINE, JENNE, McDONALD, WILLIAMS, FAHY -- Multi-Sponsored by -- M. of A. DE LA ROSA, SCHIMMINGER -- read once and referred to the Committee on Consumer Affairs and Protection -- recommitted to the Committee on in accordance with Assembly Rule 3, sec. 2 -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee

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 Assembly, 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.

899-ddd. Contract requirements.

899-eee. Prohibitions.

899-fff. Registration.

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.

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

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

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

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

10 § 899-ddd. Contract requirements. 1. Consumer litigation funding  
11 contracts shall contain a right of rescission, allowing the consumer to  
12 cancel the consumer litigation funding contract without a penalty if the  
13 consumer returns the full amount of disbursed funds to the company with-  
14 in ten business days.

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

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

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

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

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

24 (b) the charges outlined as a percentage amount exceeding the funded  
25 amount; and

26 (c) itemized one-time fees including paperwork processing and adminis-  
27 trative fees.

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

32 § 899-eee. Prohibitions. 1. Consumer litigation funding companies  
33 shall be prohibited from paying, accepting or offering referral fees or  
34 any type of consideration to and from any medical providers, licensed  
35 therapists or attorneys for referring a consumer to the company for the  
36 purpose of entering into a consumer litigation funding contract.

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

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

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

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

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

53 7. Maximum amount of charges:

54 (a) the maximum amount of charges which may be assessed pursuant to a  
55 consumer litigation funding contract shall not be in excess of the rate

1 prescribed in section 190.42 of the penal law (criminal usury in the  
2 first degree), when expressed as a proportion of the funded amount; and  
3 (b) any consumer litigation funding contract which exceeds such rate  
4 shall be considered usurious as defined by section 5-501 of the general  
5 obligations law.

6 § 899-fff. Registration. 1. Each consumer litigation funding company  
7 that wishes to engage in business in the state of New York shall first  
8 register with the New York department of financial services.

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

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

17 § 899-ggg. Penalty for violation. Any company found in violation of  
18 any provisions of this article in a specific funding case, waives its  
19 right to recover both the funded amount and any additional fees in that  
20 particular case.

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