

# STATE OF NEW YORK

9442

## IN ASSEMBLY

January 6, 2026

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

AN ACT to amend the financial services law, in relation to litigation  
funding; to amend a chapter of the laws of 2025 amending the general  
business law relating to consumer litigation funding, as proposed in  
legislative bills numbers S. 1104-A and A. 804-C, relating to the  
legislative intent and the effectiveness thereof; and to repeal arti-  
cle 39-H of the general business law relating to customer litigation  
funding

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

1 Section 1. Sections 1 and 2 of a chapter of the laws of 2025 amending  
2 the general business law relating to consumer litigation funding, as  
3 proposed in legislative bills numbers S. 1104-A and A. 804-C, are  
4 amended to read as follows:

5 Section 1. Short title. This act shall be known and may be cited as  
6 the "[~~consumer~~] litigation funding act".

7 § 2. Legislative intent. In an effort to promote consumer protections  
8 related to [~~consumer~~] litigation funding [~~transactions~~] contracts, this  
9 act establishes that such transactions should be subject to state regu-  
10 lation and sets forth requirements regarding disclosure, [~~licensing~~]  
11 registration, funding company and attorney responsibilities and limita-  
12 tions, violations and other items.

13 § 2. Article 39-H of the general business law, as added by a chapter  
14 of the laws of 2025 amending the general business law relating to  
15 consumer litigation funding, as proposed in legislative bills numbers S.  
16 1104-A and A. 804-C, is REPEALED.

17 § 3. The financial services law is amended by adding a new article 10  
18 to read as follows:

### ARTICLE 10

#### LITIGATION FUNDING

##### Section 1001. Definitions.

##### 1002. Contract requirements; right of rescission.

##### 1003. Prohibitions and charge limitations.

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

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1 1004. Payment of charges.

2 1005. Disclosures.

3 1006. Violations.

4 1007. Assignability; liens.

5 1008. Effect of communication on privileges.

6 1009. Registration.

7 1010. Reporting.

8 1011. Severability.

9 § 1001. Definitions. As used in this article, the following terms  
10 shall have the following meanings:

11 (a) "Advertise" means publishing or disseminating any written, oral,  
12 electronic or printed communication or any communication by means of  
13 recorded telephone messages or transmitted or broadcast on radio, tele-  
14 vision, the internet or similar communications media, including audio  
15 recordings, film strips, motion pictures and videos, published, dissem-  
16 inated, circulated or placed before the public, directly or indirectly,  
17 for the purpose of inducing a consumer to enter into a litigation fund-  
18 ing contract.

19 (b) "Charges" means anything to be paid to a litigation funding compa-  
20 ny by or on behalf of a consumer pursuant to a litigation funding  
21 contract. Charges includes all administrative, origination, underwriting  
22 or other fees, including interest and payment of the funded amount, no  
23 matter how denominated.

24 (c) "Funding litigation" or "to fund litigation" means providing no  
25 more than five hundred thousand dollars to a consumer in exchange for  
26 the consumer's agreement to pay the litigation funding company from the  
27 potential proceeds of any settlement, judgment, award or verdict that  
28 may be paid to resolve that consumer's legal claim.

29 (d) "Litigation funding contract" or "contract" means an agreement  
30 between a litigation funding company and a consumer to fund litigation.

31 (e) "Litigation funding company" or "company" means a person or entity  
32 that is engaged in the business of funding litigation. This term shall  
33 not include an immediate family member of the consumer or an attorney  
34 representing a consumer on a contingency basis that is not a litigation  
35 funding company on the basis of such representation.

36 (f) "Consumer" means a natural person who has a legal claim and who  
37 resides or is domiciled in New York state and the claim is or will be  
38 filed in a New York state or federal court.

39 (g) "Funded amount" means the amount of monies provided to, or on  
40 behalf of, a consumer pursuant to a litigation funding contract.

41 (h) "Funding date" means the date on which the funded amount is trans-  
42 ferred to the consumer by the litigation funding company.

43 (i) "Immediate family member" means a parent; sibling; child by blood,  
44 adoption, or marriage; spouse; grandparent; or grandchild.

45 (j) "Legal claim" means a civil claim or cause of action.

46 § 1002. Contract requirements; right of rescission. (a) All litigation  
47 funding contracts shall meet the following requirements:

48 (i) a contract shall be written in a clear and coherent manner using  
49 words with common, everyday meanings to enable the average consumer who  
50 makes a reasonable effort under ordinary circumstances to read and  
51 understand the terms of the contract without having to obtain the  
52 assistance of a professional;

53 (ii) the contract shall be completely filled in when presented to the  
54 consumer for signature;

55 (iii) the contract shall contain, in twelve point bold type font, a  
56 right of rescission, allowing the consumer to cancel the contract with-

1 out penalty or further obligation if, within ten business days after the  
2 funding date, the consumer returns to the litigation funding company the  
3 full amount of the funded amount;

4 (iv) the contract shall contain a space for the consumer to initial  
5 each page;

6 (v) a statement that there is nothing to be paid by the consumer other  
7 than the charges that are disclosed in the contract;

8 (vi) in the event the consumer seeks more than one litigation funding  
9 contract from the same company, a disclosure providing the cumulative  
10 amount due from the consumer for all transactions under all contracts,  
11 provided that a litigation funding company may not obtain an interest  
12 that, in aggregate, would result in charges that exceed the funded  
13 amount plus twenty-five percent of the gross proceeds of the consumer's  
14 legal claim;

15 (vii) a statement of the maximum charges the consumer may be obligated  
16 to pay under the contract;

17 (viii) a statement that a consumer may be liable for a breach of  
18 contract claim if they materially breach a contract or engage in fraud  
19 or material misrepresentation relating to a contract; and

20 (ix) a clear explanation of how and when the consumer is obligated to  
21 pay the charges to the litigation funding company, including an explana-  
22 tion of the consumer's payment obligations if the proceeds of the legal  
23 claim will be paid to the consumer over time.

24 (b) The contract shall contain a written acknowledgement by the attor-  
25 ney retained by the consumer in the legal claim that attests to the  
26 following:

27 (i) the attorney has reviewed the mandatory disclosures in section one  
28 thousand five of this article with the consumer;

29 (ii) the attorney is being paid on a contingency basis pursuant to a  
30 written fee agreement;

31 (iii) all proceeds of the legal claim will be disbursed via either the  
32 trust account of the attorney or a settlement fund established to  
33 receive the proceeds of the legal claim on behalf of the consumer;

34 (iv) the attorney is obligated to take all reasonable steps to  
35 disburse funds from the legal claim and to ensure that the terms of the  
36 litigation funding contract are fulfilled;

37 (v) the attorney has not received a referral fee or other consider-  
38 ation from the litigation funding company in connection with the liti-  
39 gation funding, nor will the attorney receive such fee or other consid-  
40 eration in the future; and

41 (vi) the attorney in the legal claim has provided no tax, public or  
42 private benefit planning, or financial advice regarding this trans-  
43 action.

44 (c) In the event that the acknowledgement required pursuant to para-  
45 graph (iii) of subsection (b) of this section is not completed by the  
46 attorney or firm retained by the consumer in the legal claim, the  
47 contract shall be null and void. The contract shall remain valid and  
48 enforceable in the event the consumer terminates the initial attorney  
49 and/or retains a new attorney with respect to the legal claim.

50 (d) Notwithstanding paragraph b of subdivision three of section 5-501  
51 of the general obligations law, no prepayment penalties or fees shall be  
52 charged or collected on consumer litigation funding. A prepayment penal-  
53 ty on a litigation funding contract shall be unenforceable.

54 § 1003. Prohibitions and charge limitations. Litigation funding compa-  
55 nies shall be prohibited from:

1 (a) paying or offering to pay commissions, referral fees, or any other  
2 form of consideration to any attorney, law firm, medical provider,  
3 chiropractor or physical therapist or any of their employees for refer-  
4 ring a consumer to the company;

5 (b) accepting any commissions, referral fees, rebates or any other  
6 form of consideration from an attorney, law firm, medical provider,  
7 chiropractor or physical therapist or any of their employees;

8 (c) advertising materially false or misleading information regarding  
9 its products or services;

10 (d) referring a customer or potential customer to a specific attorney,  
11 law firm, medical provider, chiropractor or physical therapist or any of  
12 their employees; provided, however, if a customer needs legal represen-  
13 tation, the company may refer the customer to a local or state bar asso-  
14 ciation referral service;

15 (e) knowingly providing funding to a consumer who has previously  
16 signed a litigation funding contract with a another litigation funding  
17 company for the same claim without first acquiring or extinguishing the  
18 consumer's obligations pursuant to the prior litigation funding  
19 contract, provided that nothing herein shall prohibit multiple companies  
20 from agreeing to contemporaneously provide funding to a consumer  
21 provided that the consumer and the consumer's attorney consent to the  
22 arrangement in writing as long as the interest held by those litigation  
23 funding companies, in aggregate, does not exceed the funded amount plus  
24 twenty-five percent of the proceeds of the consumer's legal claim;

25 (f) influencing or attempting to influence any decisions with respect  
26 to the conduct of the consumer's legal claim or any settlement or resolu-  
27 tion thereof. The right to make such decisions shall remain solely with  
28 the consumer and the consumer's attorney in the legal claim;

29 (g) obtaining a waiver of any remedy or right by the consumer, includ-  
30 ing but not limited to the right to trial by jury;

31 (h) knowingly paying or offering to pay for court costs, filing fees  
32 or attorney's fees either during or after the resolution of the legal  
33 claim, using funds from the litigation funding transaction;

34 (i) entering into a litigation funding contract with a consumer who  
35 the litigation funding company knows is represented by an attorney or  
36 law firm in the legal claim that has a financial interest in the liti-  
37 gation funding company offering litigation funding to that consumer;

38 (j) requiring an attorney who represents a consumer to disclose privi-  
39 leged information to the litigation funding company without the written  
40 consent of the consumer. The attorney who represents the consumer shall  
41 disclose to the litigation funding company the amount of the proceeds of  
42 the settlement, judgment, award or verdict;

43 (k) requiring a consumer to pay charges that exceed twenty-five  
44 percent of the gross proceeds from the applicable legal claim plus the  
45 funded amount;

46 (l) requiring a consumer to pay anything that exceeds the available  
47 proceeds from a resolution of the consumer's claim;

48 (m) providing more than five hundred thousand dollars to a consumer to  
49 fund litigation; and

50 (n) entering into a litigation funding contract with a consumer if the  
51 litigation funding company has any reasonable basis to believe that the  
52 consumer's legal claim is frivolous, based on a false statement of facts  
53 or otherwise that it is not meritorious.

54 § 1004. Payment of charges. A consumer may only be required to pay  
55 charges to a litigation funding company when the resolution of any of  
56 the consumer's legal claims subject to a contract is final, related

1 appeals, if any, have been resolved, and proceeds of the settlement,  
2 judgment, award or verdict have been received by the consumer's counsel.

3 § 1005. Disclosures. All litigation funding contracts shall contain  
4 the disclosures specified in this section, which shall constitute mate-  
5 rial terms of the contract. Unless otherwise specified, such disclosures  
6 shall be typed in at least twelve point bold type font and be placed  
7 clearly and conspicuously within the contract, as follows:

8 (a) On the front page under appropriate headings, language specifying:

9 (i) the funded amount;

10 (ii) an itemization of all charges;

11 (iii) a payment schedule to help consumers understand how much they  
12 will have to pay in charges based on different hypothetical resolutions  
13 of the consumer's legal claim; and

14 (iv) the following statement in at least twelve point type font: "The  
15 maximum amount you may be required to pay cannot exceed 25% of the gross  
16 recovered amount received for your claim plus the amount paid to you by  
17 the litigation funding company, but only to the extent that there are  
18 proceeds available from your legal claim."

19 (b) Within the body of the contract in at least twelve point type  
20 font: "Consumer's right to cancellation: you may cancel this contract  
21 without penalty or further obligation within ten business days after the  
22 date you receive the payment from the litigation funding company if you  
23 return to the litigation funding company the full amount of the  
24 disbursed funds."

25 (c) Within the body of the contract, an explanation that the liti-  
26 gation funding company shall have no role in deciding whether, when and  
27 how much the legal claim is settled for, however, the consumer and  
28 consumer's attorney must notify the company of the outcome of the legal  
29 claim by settlement or adjudication prior to paying the company from the  
30 proceeds of any settlement, judgment, award or verdict that may be paid  
31 to resolve that consumer's legal claim. The company may seek updated  
32 information about the status of the legal claim but in no event shall  
33 the company interfere with the independent professional judgment of the  
34 attorney in the handling of the legal claim or any settlement thereof.

35 (d) Within the body of the contract, in all capital letters in at  
36 least twelve point bold type font contained within a box: "THE AGREED  
37 UPON CHARGES SHALL BE PAID ONLY FROM ANY PROCEEDS OF YOUR LEGAL CLAIM,  
38 AND SHALL BE PAID ONLY TO THE EXTENT THAT THERE ARE AVAILABLE PROCEEDS  
39 FROM YOUR LEGAL CLAIM. YOU WILL NOT OWE (INSERT NAME OF THE LITIGATION  
40 FUNDING COMPANY) ANYTHING IF THERE ARE NO PROCEEDS FROM YOUR LEGAL  
41 CLAIM, UNLESS YOU HAVE VIOLATED ANY MATERIAL TERM OF THIS CONTRACT OR  
42 YOU HAVE COMMITTED FRAUD AGAINST (INSERT NAME OF LITIGATION FUNDING  
43 COMPANY)."

44 (e) Located immediately above the place on the contract where the  
45 consumer's signature is required, in twelve point bold type font: "Do  
46 not sign this contract before you read it completely. Do not sign this  
47 contract if it contains any blank spaces. You are entitled to a  
48 completely filled-in copy of the contract before you sign this contract.  
49 Depending on the circumstances, you may want to consult a tax, public or  
50 private benefits planning, or financial professional. You acknowledge  
51 that your attorney in the legal claim has provided no tax, public or  
52 private benefit planning, or financial advice regarding this contract.  
53 You further acknowledge that your attorney has explained the terms and  
54 conditions of the litigation funding contract."

55 (f) A copy of the executed contract shall promptly be delivered to the  
56 attorney for the consumer.

1 (g) The following shall be printed within the body of the contract in  
2 all capital letters in at least twelve point bold type font: "PURSUANT  
3 TO THE LAWS OF THE STATE OF NEW YORK, THE MAXIMUM AMOUNT YOU MAY BE  
4 REQUIRED TO PAY CANNOT EXCEED 25% OF THE GROSS RECOVERED AMOUNT RECEIVED  
5 FOR YOUR CLAIM PLUS THE AMOUNT PAID TO YOU BY THE LITIGATION FUNDING  
6 COMPANY."

7 § 1006. Violations. (a) Any litigation funding company found in will-  
8 ful violation of any provision of this article in a specific funding  
9 case: (i) waives its right to recover the charges, as defined in  
10 subsection (b) of section one thousand one of this article, in that  
11 particular case; and (ii) shall be liable for a civil penalty of not  
12 more than five thousand dollars for each violation, which shall accrue  
13 to the state of New York and may be recovered in a civil action brought  
14 by the attorney general.

15 (b) Nothing in this article shall be construed to restrict the exer-  
16 cise of powers or the performance of the duties of the New York state  
17 attorney general, which such attorney general is authorized to exercise  
18 or perform by law.

19 § 1007. Assignability; liens. (a) The contingent right to receive an  
20 amount of the potential proceeds of a legal claim is assignable by a  
21 consumer and/or litigation funding company.

22 (b) Only attorney's liens related to the legal claim which is the  
23 subject of the litigation funding contract or Medicare or other statuto-  
24 ry liens related to the legal claim shall take priority over any lien of  
25 the litigation funding company. All other liens shall take priority by  
26 normal operation of law.

27 § 1008. Effect of communication on privileges. All communications  
28 between the consumer's attorney in the legal claim and the litigation  
29 funding company as it pertains to the legal claim that is subject to the  
30 litigation funding contract shall not constitute a waiver of any privi-  
31 lege or protection, including but not limited to the attorney client  
32 privilege and the work-product doctrine.

33 § 1009. Registration. (a) Except as provided in this section, no  
34 person may engage in litigation funding in this state without being  
35 registered with the department. The registration requirement shall not  
36 apply to a banking organization as defined in subdivision eleven of  
37 section two of the banking law or a licensed lender licensed pursuant to  
38 article nine of the banking law.

39 (b) An application for registration shall be filed in the manner  
40 prescribed by the superintendent and must contain all the information  
41 required by the department. The application shall be accompanied by a  
42 five hundred dollar fee. The superintendent shall have the power to  
43 approve or deny a registration application, based on whether such appli-  
44 cation is complete, accurate and otherwise in compliance with applicable  
45 laws or regulations.

46 (c) The superintendent may revoke or suspend the registration of any  
47 litigation funding company if, upon notice and a hearing, the super-  
48 intendent determines that the litigation funding company or any member,  
49 principal, officer, director or controlling person of the litigation  
50 funding company has:

51 (i) committed a violation of the insurance law, banking law or this  
52 chapter or any regulation promulgated thereunder, an order or subpoena  
53 of the superintendent or the head of another state's insurance, banking  
54 or financial services regulatory agency or federal agency with authority  
55 to regulate litigation funding companies, or has violated any other law

1 in the course of engaging in the business of a litigation funding compa-  
2 ny;

3 (ii) provided materially incorrect, materially misleading, materially  
4 incomplete or materially untrue information in the registration applica-  
5 tion;

6 (iii) failed to comply with the requirements of this article or any  
7 other applicable provision of the banking law or the insurance law;

8 (iv) used fraudulent, coercive or dishonest practices in the conduct  
9 of litigation funding company business;

10 (v) improperly withheld, misappropriated or converted any monies or  
11 properties received in the course of business in this state or else-  
12 where;

13 (vi) admitted or been found to have committed any unfair trade prac-  
14 tice or fraud; or

15 (vii) had its registration, or its equivalent, denied, suspended or  
16 revoked in any other state, province, district or territory.

17 (d) Upon the revocation or suspension by the superintendent of the  
18 registration of a litigation funding company, the superintendent shall  
19 forthwith notify such litigation funding company. The revocation or  
20 suspension of any registration pursuant to this section shall terminate  
21 or suspend, respectively, such registration immediately upon the issu-  
22 ance of such notice.

23 (e) All litigation funding contracts entered into prior to the effec-  
24 tive date of this article are not subject to the terms of this article.

25 (f) A litigation funding company that has filed an application for  
26 registration with the department, within one hundred eighty days of when  
27 the department first makes such applications available, may enter into  
28 litigation funding contracts, while their application remains pending  
29 with the department.

30 (g) The superintendent is hereby authorized to adopt rules and regu-  
31 lations to implement the provisions of this article as needed.

32 § 1010. Reporting. (a) Beginning in two thousand twenty-seven, each  
33 litigation funding company that engages in business in this state shall  
34 submit an annual report to the department in a form and manner deter-  
35 mined by the department no later than the thirty-first day of January of  
36 each year specifying for the preceding calendar year:

37 (i) the number of litigation funding contracts for which the charges  
38 were paid and for each such contract:

39 (A) the funded amount;

40 (B) the amount paid by the consumer to the litigation funding company;  
41 and

42 (C) the total number of days that elapsed between the funding date and  
43 the date the last payment of the charges was made to the litigation  
44 funding company by the consumer.

45 (ii) the number of litigation contracts that the company has written  
46 off as being uncollectible and for each contract:

47 (A) the funded amount; and

48 (B) the total number of days that elapsed between the funding date and  
49 the date the litigation funding company wrote off the contract as being  
50 uncollectible.

51 (iii) the number of cases initiated by the litigation funding against  
52 a consumer.

53 (b) The department shall make such information available to the  
54 public, in a manner which maintains the confidentiality of the name of  
55 each company and consumer and other personally identifiable information

1 of the consumer, no later than ninety days after the reports are submit-  
2 ted.

3 § 1011. Severability. If any provision of this article is, for any  
4 reason, declared unconstitutional or invalid, in whole or in part, by  
5 any court of competent jurisdiction, such portion shall be deemed sever-  
6 able, and such unconstitutionality or invalidity shall not affect the  
7 validity of the remaining portions of this article, which remaining  
8 portions shall continue in full force and effect.

9 § 4. Section 4 of a chapter of the laws of 2025 amending the general  
10 business law relating to consumer litigation funding, as proposed in  
11 legislative bills numbers S. 1104-A and A. 804-C, is amended to read as  
12 follows:

13 § 4. This act shall take effect on the one hundred eightieth day after  
14 it shall have become a law; provided, however, it shall not apply or in  
15 any way affect or invalidate any [~~consumer~~] litigation funding previous-  
16 ly effectuated prior to the effective date of this act. Effective imme-  
17 diately, the addition, amendment and/or repeal of any rule or regulation  
18 necessary for the implementation of this act on its effective date are  
19 authorized to be made and completed on or before such date.

20 § 5. This act shall take effect immediately; provided, however,  
21 sections one, two, and three of this act shall take effect on the same  
22 date and in the same manner as a chapter of the laws of 2025 amending  
23 the general business law relating to consumer litigation funding, as  
24 proposed in legislative bills numbers S. 1104-A and A. 804-C, takes  
25 effect; provided further, however, sections 1009 and 1010 of the finan-  
26 cial services law added by section three of this act shall take effect  
27 one year after they shall have become a law.