

STATE OF NEW YORK

8808

IN SENATE

January 8, 2026

Introduced by Sen. COONEY -- read twice and ordered printed, and when printed to be committed to the Committee on Rules

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 article 39-H of the general business law relating to customer litigation funding

The People of the State of New York, represented in Senate and Assembly, 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16 1104-A and A. 804-C, is REPEALED.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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1004. Payment of charges.

1005. Disclosures.

1006. Violations.

1007. Assignability; liens.

1008. Effect of communication on privileges.

1009. Registration.

1010. Reporting.

1011. Severability.

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

(a) "Advertise" means publishing or disseminating any written, oral, electronic or printed communication or any communication by means of recorded telephone messages or transmitted or broadcast on radio, television, the internet or similar communications media, including audio recordings, film strips, motion pictures and videos, published, disseminated, circulated or placed before the public, directly or indirectly, for the purpose of inducing a consumer to enter into a litigation funding contract.

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

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

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

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

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

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

(h) "Funding date" means the date on which the funded amount is transferred to the consumer by the litigation funding company.

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

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

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

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

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

(iii) the contract shall contain, in twelve point bold type font, a 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 resol-
27 ution 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.