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Texas Appleseed Celebrates New Rule to Restore Consumers' Ability to Enforce Rights and Protections in Court

Today, the Consumer Financial Protection Bureau (CFPB) finalized its rule to restore consumers' right to join together in challenging financial fraud and scams in court. The result of five years of careful [study](#) and consideration, the rule as proposed would restrict the financial industry's use of forced arbitration – a tactic Wall Street banks and payday lenders use to block consumers from challenging illegal behavior in court.

These “ripoff clauses” are usually buried in the fine print of financial contracts to evade public accountability for charges of fraud and lawbreaking by forcing consumers into secret arbitration proceedings that are too often weighted against them. The clauses often ban class action lawsuits as well, leaving consumers unable to challenge widespread misconduct since it is often too expensive to pursue small-dollar disputes one-by-one in arbitration.

“This rule would level the playing field for Texas families in cases of broad-based unconscionable practices by financial businesses,” said Ann Baddour, director of Texas Appleseed’s Fair Financial Services Project. For example, Texas Appleseed found in [a 2014 study](#) that payday lenders filed more than 1,500 wrongful criminal complaints against borrowers as an intimidation tactic to collect on defaulted loans. Two lawsuits were filed challenging that illegal practice, and it has taken many years of litigation simply for some of those abused to gain access to a fair hearing in court.

While the CFPB took a more modest approach rather than banning all forms of forced arbitration, the rule restores consumers' right to join together in class action lawsuits and returns transparency to individual arbitration by establishing a public record of claims and outcomes. During the public comment period last August, Texas Appleseed filed [its own comment](#) and joined with 280 consumer, civil rights, labor, and community [groups](#) and more than 100,000 individual [consumers](#) across the country to support the proposed rule.

About Texas Appleseed

Texas Appleseed is a public interest justice center that works to change unjust laws and policies that prevent Texans from realizing their full potential. Our nonprofit conducts data-driven research that uncovers inequity in laws and policies and identifies solutions for lasting, concrete change. For more information, visit www.TexasAppleseed.org.

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