

### CFPB Rule Restoring Consumers' Legal Rights To Hold Banks Accountable Is Threatened In Congress

In early July, the Consumer Financial Protection Bureau issued a [new rule](#) to restore the rights of consumers to hold banks, credit card companies and other financial firms accountable when they break the law and mistreat their customers. The new rule stops lenders from forcing consumers to settle their disputes about unfair treatment through mandatory arbitration when they would prefer to join with others and seek relief in court. But before the CFPB's rule could go into effect, the House of Representatives voted to repeal it. Now the rule is being considered by the Senate, which will soon decide whether to block it.

Forced arbitration provisions are usually found deep in the fine print of contracts, and consumers often unwittingly give up their legal rights just by signing up for a bank account or other financial service, without having any choice in the matter. The arbitration process can be stacked against consumers in numerous ways. Arbitration proceedings and their outcomes are generally secret. Established law can be disregarded entirely, and there is no right to appeal.

Arbitration is fundamentally unfair when it is forced on consumers, and it undercuts incentives for businesses to do right by their customers. If consumers cannot combine their claims, the costs of suing individually are often too high and the unfair treatment goes unchallenged.

For years, Wells Fargo used a forced arbitration clause buried in its bank account paperwork to block customers from bringing joint legal action over millions of bogus accounts fraudulently set up in their [names](#). It was only after the CFPB uncovered the scope of the fraud and [fined](#) the bank that public outrage prompted Wells Fargo to finally relent and settle the [claims](#).

The Consumer Financial Protection Bureau has spent several years developing an effective and balanced rule. The rule prohibits forced arbitration when it is used to block large groups of consumers who have suffered widespread abuse from joining together in a class action. The CFPB's rule does not prevent consumers from voluntarily *choosing* to use arbitration for resolving a dispute—as long as they agree to it *after* the dispute arises, when they realize what's at stake and can freely decide if the arbitration procedure is fair and workable.

The CFPB documented just how harmful forced arbitration can be for consumers. It found that in 2010 and 2011, a mere 52 consumers took claims under \$1000 to arbitration, and only four got any recovery. In contrast, class actions recovered \$2.2 billion in relief to over 160 million consumers over a five-year period. In over 50 of these cases, the court judgments also directed the companies involved to reform their business practices, helping millions of [consumers](#) who had not been part of the class action.

#### TAKE ACTION

Please urge your [Senators](#) to uphold the CFPB's arbitration rule.

#### CONTACT

For further information and how to get involved, please contact Omar Hakim, grassroots organizer, at [Omar.Hakim@Consumer.org](mailto:Omar.Hakim@Consumer.org), or (914) 378-2729.