



ALLIANCE FOR RESPONSIBLE CONSUMER LEGAL FUNDING

## REAL TALK: Consumer Legal Funding is NOT Tort Reform

Opponents of legal funding have misrepresented legal funding as a tort reform issue in an attempt to eliminate the industry. True tort reform limits frivolous lawsuits by ensuring that cases without merit do not clog up the legal system. Legal funding allows individuals to sell a small amount of their expected recovery to generate typically \$2000 in immediate proceeds to help them meet obligations, pay bills and recover.

Legal funding does NOT create frivolous litigation, fund attorney fees or case expenses, inflate settlements or clog the legal system. It simply helps families replace lost income, and get on with their lives.

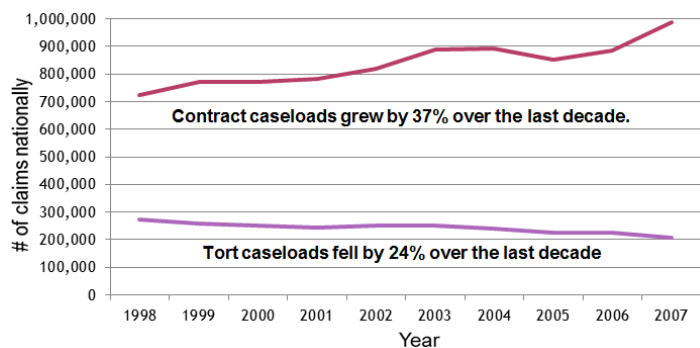
### Evidence that Legal Funding is NOT Tort Reform:

1. Does NOT create frivolous litigation.
  - The claim ALREADY exists.
  - Individuals must have a lawyer retained to receive funding.
  - Providers want to select cases with merit. Bad case = NO \$.
2. Does NOT fund litigation.
  - Money goes to immediate household needs. It keeps the lights on and puts food on the table.
  - Money does NOT go to fund attorney fees and case expenses.
3. Does NOT drive up settlement costs.<sup>1</sup>
  - Academic literature exploring the topic has only concluded that individuals who use legal funding are *more incented to settle* than those who do not.

In fact, legal funding helps reduce the burden on the court system by helping families avoid financial strife. It lets people pay their bills and avoid foreclosure, eviction, collection, repossession and bankruptcy actions.

### The number of tort claims has gone DOWN since legal funding became available

Legal funding became available around 2000. If it was having a negative effect on the legal system, we would see the opposite trend.<sup>2</sup>



<sup>1</sup> See Daughety, A., Reinganum, J. (2013, June). The Effects of Third-Party Litigation Funding. *CSDI Policy Brief 2013-06*. Vanderbilt University, Department of Economics and Law and

American Bar Association Commission on Ethics 20/20. (2012, February). *Informational Report to the House of Delegates [White Paper]* for more information.

<sup>2</sup> National Center for State Courts. (2009). *Examining the Work of State Courts: An Analysis of 2007 State Court Caseloads, Trial Courts: Civil Caseloads*.