

CFPB Arbitration Rule Vulnerable to Legal Challenge, Industry Lawyers Say

A graphic with text: "new... settling an arbitration. impartial a dispute". The text is arranged in a curved, overlapping manner, suggesting a document or a legal process.

Financial services lawyers are predicting that efforts by the Consumer Financial Protection Bureau to prevent companies from keeping consumer complaints out of a courtroom will wind up being challenged in court, reports *The Wall Street Journal*.

A rule proposed by the agency Thursday would prohibit financial companies from using mandatory-arbitration clauses as a way to block class-action lawsuits, according to the report. "While companies would still be able to require consumers to enter arbitration to resolve individual disputes, the elimination of the no-class arbitration provisions would strip away incentives for companies to include arbitration clauses in their contracts. And many are predicting that as a result, companies would discontinue using them."

But the CFPB counters that class actions are a "more effective means for consumers to challenge problematic practices by ... companies" than arbitration, which it says gives financial service providers an unfair advantage over customers.

Read the report.