CFPB Arbitration Rule Vulnerable to Legal Challenge, Industry Lawyers Say

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.