

CFPB Proposes Banning Some Arbitration Clauses, Resurrecting Consumer Contract Class Actions

The Consumer Financial Protection Bureau (CFPB) announced that it is exploring a rulemaking to eliminate the use of certain arbitration agreements in consumer contracts that block consumers from participating in class-action lawsuits, report Bill Mayberry and Jodie Herrmann Lawson of McGuireWoods. They write that, if the new rule is enacted, it will impact companies that fall within the CFPB's broad interpretation of businesses that provide financial products and services for consumer purposes.

"The announcement comes on the heels of the CFPB's publication of a three-year study on arbitration that concluded that consumers generally are better served through litigation. According to CFPB Director Richard Cordray, arbitration clauses amount to 'a free pass to sidestep the court and avoid accountability for wrongdoing,'" they write.

The article is on the firm's Subject to Inquiry blog.

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