

# More than 100 Consumer, Labor and Civil Rights Groups Call on CFPB to Take Action on Banking Fraud and Forced Arbitration

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WASHINGTON - Over 100 consumer, civil rights, and labor groups today **called on** CFPB Director Rohit Chopra to exercise the agency's authority to limit forced arbitration clauses, which are commonly buried in the fine print of consumer financial contracts to eliminate the rights of customers seeking accountability when scammed, cheated, or defrauded by big banks.

"Consumers need the CFPB's help combating forced arbitration clauses that take away our day in court," **said Lauren Saunders, associate director at the National Consumer Law Center.** "The CFPB does important work enforcing consumer protection laws, but it cannot pursue every injustice alone. Forced arbitration must not strip consumers of access to the courts."

The CFPB previously promulgated a rule limiting the use of forced arbitration and class action waivers. After the Trump administration took office, a 50-50 Senate vote struck down the rule when former Vice-President Mike Pence broke the tie in favor of allowing big banks to use forced arbitration freely.

As the letter explains:

"The Bureau's eventual rule in 2017, which prohibited regulated entities from using forced arbitration clauses that bar consumers from enforcing their rights by participating in class or collective actions, would have restored rights and leveled the playing field for millions of consumers. We were exceedingly disappointed that Congress voted by the narrowest of margins to disapprove the rule before it could go into effect. However, the Bureau's statutory authority to address this widespread problem on behalf of consumers and the public interest remains and the abusive use of forced arbitration by the banking industry has only grown worse in the intervening years. The Bureau can and must exercise its authority in any number of ways that would not be substantially the same as the regulation Congress acted to nullify."

The groups signing this letter urge Director Chopra to engage in a public conversation on how the secret, accountability-killing practice of forced arbitration leads to greater fraud in the financial sector that affects everyday Americans' lives.

"We are proud to join with consumer, worker, and civil rights organizations to ask the CFPB to limit forced arbitration and stop banking fraud and abuse. The time for action is now - the CFPB's own forced arbitration study found that consumers don't know they have 'agreed' to give up their rights, that they rarely have their case against a bank addressed and that the bank nearly always wins because forced arbitration is a rigged system," **said American Association for Justice CEO Linda Lipsen.**

"Forced arbitration is a rigged game, one that banks and other financial industry players nearly always win," **said Robert Weissman, president of the consumer advocacy organization Public Citizen.** "It is far past time for the CFPB to level the playing field and ensure that harmed consumers regain access to the courts when wronged by the financial industry."

“The CFPB should act now to remove the chokehold of forced arbitration and class action bans which stands in the way of consumers seeking remedies from the well-known traps of junk fees, sky-high interest rates, inaccurate credit reporting, fake accounts, and other predatory practices in financial products and services,” **said Christine Hines, legislative director for the National Association of Consumer Advocates.**

“It’s time for the CFPB to stop letting big banks and predatory financial services companies hide their bad acts in private, forced arbitrations,” **said Rachel Gittleman, Financial Services Outreach Manager with Consumer Federation of America.** “We look forward to working with the CFPB to create a new rule that empowers consumers to assert their rights in the forum of their choosing.”

“The CFPB has been a true champion for consumers under Director Chopra. But it only has so many people and so many resources, and many consumers who are cheated by predatory lenders need the ability to protect their own rights in court. The only way that is possible is if the Bureau will take on the blight of forced arbitration,” **said Paul Bland, executive director of Public Justice.**

“The debate surrounding forced arbitration has moved away from what it was just a few years ago, which suggests further change is as possible as it is desirable. We’ve recently seen Congress’ bipartisan enactment of the Ending Forced Arbitration for Sexual Assault and Harassment Act, which ends forced arbitration in the workplace at one of the most vulnerable times for employees. We are urging the CFPB to extend the same protections to consumers because forced arbitration perpetuates consumer vulnerability and abuse in the financial sector,” **said Elyse Hicks, consumer policy counsel for Americans for Financial Reform Education Fund.**

## BACKGROUND

Congress recognized forced arbitration as a leading threat to the enforcement of consumer protection laws and explicitly empowered the Consumer Financial Protection Bureau (CFPB) to limit its use in the 2010 Dodd-Frank legislation. Before issuing a rule, the CFPB studied the financial sector’s use of forced arbitration against consumers and the 728-page report released in March 2015 confirmed what consumer advocates have long known – forced arbitration denies justice to customers and allows big banks to escape accountability when they break the law.

The final rule limiting forced arbitration was released in 2017 but was struck down by the Congressional Review Act by a 50-50 Senate vote with then-Vice President Pence making the tie-breaking vote against consumer rights.