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CONSUMER LITIGATION FUNDING IN VERMONT

STATUS AND RECOMMENDATIONS

MICHAEL S. PIECIAK, COMMISSIONER
VERMONT DEPARTMENT OF FINANCIAL REGULATION

JANUARY 31, 2017



Report
Status of Consumer Litigation Funding in Vermont

To: The General Assembly of the State of Vermont

From: Michael Pieciak, Commissioner – Department of Financial Regulation
Christopher Curtis, Chief, Public Protection Division, Office of the Attorney General

Date: January 31, 2017

Report Request. Section A.2 (c) of Act 128 (2015 Adj. Sess.) requires that the Commissioner of the Department of Financial Regulation and the Attorney General jointly report to the General Assembly, on or before January 31, 2017, on the status of consumer litigation funding in Vermont. The report may include recommendations the Commissioner and the Attorney General deem necessary to improve the regulatory framework of consumer litigation funding. Section A.2 (c) provides:

[O]n or before January 31, 2017, the Commissioner and Attorney General shall report jointly to the General Assembly on the status of consumer litigation funding in Vermont and make any recommendations they deem necessary to improve the regulatory framework of consumer litigation funding, including a recommendation on whether Vermont should limit charges imposed under a consumer litigation funding contract and, if so, a specific recommendation on what that limit should be.

Status. There is only one litigation funding company registered under 8 V.S.A. Chapter 74. The company has entered into contracts with 10 consumers. The total dollar value of funded amounts is \$16,020. All 10 of the contracts are pending until completion of the underlying legal action.

Recommendation. The Commissioner recommends one change to the regulatory framework for consumer litigation funding companies. The Commissioner recommends changing registration renewal from a three-year cycle to an annual cycle. Section 2252 (b) of Title 8, V.S.A., currently provides for a three-year registration at \$600. The Commissioner proposes to change it to an annual registration renewal at \$200. This will make the annual renewal of litigation funding companies consistent with other licensees overseen by the Department. It will also enable the Department to use the Nationwide Multistate Licensing System and Registry to register and renew litigation funding companies.

There is insufficient data at this time to make any other recommendations, including any recommendation on limiting the charges imposed under a consumer litigation funding contract. The Commissioner and the Attorney General will continue to monitor litigation funding contracts for future analysis and recommendations.