

**JOINT COMMITTEE ON THE JUDICIARY
BILL SUMMARY**

BILL NO.	H1861
TITLE:	An Act providing transparency in third party litigation financing.
SPONSOR:	Rep. Adrian C. Madaro
COSPONSOR(S):	None
HEARING DATE:	July 29, 2025
PRIOR HISTORY:	None
SENATE BILL:	None
REPORTING DEADLINE:	September 27, 2025 (subject extensions, in accordance with House Rule 27)
CURRENT LAW:	Chapter 167 of the General Laws establishes the rules and regulations for the supervision of banks in the Commonwealth including actions required by banks and actions they are prevented from taking. Chapters 167A through Chapter 167J all establish rules and procedures for actions banks commonly take such as electronic fund transfers, the locations of banks, deposits, accounts, trusts and mutual funds.
BILL SUMMARY:	<p>Section 1 – Adds a new section to Chapter 167, Chapter 167J.</p> <ul style="list-style-type: none">• Section 1 of this new section defines the terms relevant to the proposed section.• Section 2 requires consumer litigation funding contracts to be (i) written in a clear and coherent manner (ii) completely filled in when presented to the consumer for signature (iii) a right of rescission if they return the full amount of the disbursed funds within 10 days of signage (iv) the signor must initial every page (v) a statement that there are no fees or charges to be paid by the consumer other than what is disclosed on the disclosure form (vi) a disclosure providing the cumulative amount due from the consumer for all transactions (vii) the maximum amount the consumer may be obligated to pay and (viii) description of how charges are incurred or accrued. The contract must also contain an acknowledgement by the

attorney that they (i) have reviewed the mandatory disclosures (ii) are being paid on a contingency basis (iii) will ensure all proceeds of the legal claim will be disbursed via either the trust account of the attorney or a settlement fund (iv) are obligated to disburse funds from the legal claim (v) have not received a referral fee or other consideration from the consumer litigation funding company in connection with the consumer litigation funding (vi) have provided no tax, public or private benefit planning, or financial advice regarding this transaction.

- Section 3 prohibits consumer litigation funding companies from (i) paying or offering to pay commissions, referral fees, or other forms of consideration for referrals (ii) accepting any commissions, referral fees, rebates or other forms of consideration (iii) intentionally advertising materially false or misleading information (iv) referring a customer or potential customer to a specific attorney, law firm, healthcare provider, chiropractor or physical therapist or any of their employees (v) knowingly providing funding to a consumer who has previously assigned or sold a portion of the consumer's right to proceeds from his or her legal claim without first making payment to or purchasing a prior unsatisfied consumer litigation funding company's entire funded amount (vi) having any influence, receiving any right to, or making, any decisions with respect to the conduct of the underlying legal claim (vii) attempting to obtain a waiver of any remedy or right by the consumer (viii) knowingly paying or offering to pay for court costs, filing fees or attorney's fees.
- Section 4 establishes that the amount to be paid to the consumer litigation funding company must be predetermined based upon intervals of time from the funding date through the resolution date and not a percentage of the results of litigation.
- Section 5 requires notice to other parties and disclosures to be written in all contracts consistent with the proposed section.
- Section 6 cause consumer litigation funding companies who fail to meet the standards waive rights to collect and imposes a fine.
- Section 7 allows for the fund to receive a contingent right to receive an amount of the potential proceeds of a legal claim is assignable by a consumer to a consumer litigation funding company.

- Section 8 prevents discovery of communications when negotiating one of these contracts by a person against whom the legal claim is asserted or filed.
- Section 9 requires these funds to register with the Division of Banks and adhere to their regulations.
- Sections 11-14 establish the disclosure and evidentiary standards for these agreements and the communications between clients and funds.
- Section 15 allows for severability if a section is deemed unconstitutional.
- Section 16 grants the division of banks authority to promulgate regulations to enforce the new section.

Section 2 - Provides that the Act will take effect 90 days after the adoption into law but will not nullify existing agreements.