

FOR IMMEDIATE RELEASE:

April 24, 2012

CONTACT:

Office of Public Affairs

Tel: (202) 435-7170

**CONSUMER FINANCIAL PROTECTION BUREAU LAUNCHES PUBLIC INQUIRY INTO
ARBITRATION CLAUSES**

Bureau to Explore Arbitration's Effects on Consumers

WASHINGTON, D.C. – Today the Consumer Financial Protection Bureau (CFPB) launched a public inquiry into how consumers and financial services companies are affected by arbitration and arbitration clauses.

“Arbitration clauses are found in many contracts for consumer financial products,” said CFPB Director Richard Cordray. “We want to learn how arbitration clauses affect consumers, and how effective arbitration is in resolving consumers’ issues. This inquiry will help the Bureau assess whether rules are needed to protect consumers.”

Arbitration is a formal way to resolve disputes outside the court system. Many contracts for consumer financial services products and services contain a “pre-dispute arbitration clause” stating that the parties generally agree to resolve all disputes about that product or service through arbitration, rather than through the court system. Through the Dodd-Frank Act, Congress requires the CFPB to study the use of pre-dispute arbitration clauses in consumer financial markets and gives the Bureau the power to issue regulations for the protection of consumers consistent with the study.

For purposes of conducting the study, the Bureau is asking the public about:

- The prevalence of arbitration clauses in consumer financial products and services;
- What claims consumers bring in arbitration against financial services companies;
- If claims are brought by financial services companies against consumers in arbitration;
- How consumers and companies are affected by actual arbitrations; and
- How consumers and companies are affected by arbitration clauses outside of actual arbitrations.

Companies that use pre-dispute arbitration clauses claim that arbitration is faster and cheaper than litigation, and at least as fair. Others disagree, noting that consumers may not realize that they have waived their right to a trial because of an arbitration clause. And even if consumers

understand arbitration clauses, these clauses may still have significant impacts that warrant study by the CFPB.

After the Bureau completes its study, it will assess whether imposing conditions or prohibitions on arbitration would better protect consumers.

The Request for Information on Arbitration, as submitted to the Federal Register for publication, is available at:

http://files.consumerfinance.gov/f/201204_cfpb_rfi_predispute-arbitration-agreements.pdf

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The Consumer Financial Protection Bureau is a 21st century agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives. For more information, visit www.ConsumerFinance.gov.