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CFPB ARBITRATION RULE: What You Need to Know Now

On May 5, 2016, the CFPB unveiled a proposed arbitration rule which would dramatically limit the contractual rights of financial institutions. Under the rule, certain arbitration provisions would be unenforceable as bars to class actions against financial institutions.

The proposed rule seeks to impose two sets of limitation of pre-dispute arbitrations agreements by covered providers of financial products and services. First, the CFPB rule would prohibit pre-dispute arbitration agreements as a bar to consumer class action lawsuits. Second, the rule would require providers that use pre-dispute arbitration agreements to submit records relating to arbitration proceedings to the CFPB to monitor and publish.

What you need to know:

- The rule is out for public comment and comments may be submitted to FederalRegisterCommenst@cfpb.gov and should reference Docket No. CFPB-2016-0020 or RIN 3170-AA51 in the subject line of the email.
- The rule does not require congressional approval, so it is likely to be enacted.
- The rule will apply to providers of services in core markets of: money lending, sorting money, and moving or exchange money—basically, any institution providing a financial service to a consumer.
- The rule will apply to agreements entered into after 180 days of the effective date.

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