



HOUSE BILL 925: Consumers in Crisis Protection Act.

2025-2026 General Assembly

Committee:	House Insurance. If favorable, re-refer to Finance. If favorable, re-refer to Rules, Calendar, and Operations of the House	Date:	June 24, 2025
Introduced by:	Reps. Eddins, Huneycutt, Humphrey, Lowery	Prepared by:	Bill Patterson
Analysis of:	PCS to First Edition H925-CSTG-30		Committee Co-Counsel

OVERVIEW: *House Bill 925 would regulate the operations of persons engaged in consumer legal funding transactions. Among other things, it would authorize a consumer legal funding company registered with the Commissioner of Insurance to advance funds to a consumer who is pursuing a legal claim, which could be used only for expenses unrelated to the legal claim. The consumer would repay the amount advanced together with any charges due under the contract entirely out of any net proceeds recovered in the legal claim. The company making the advance would have no recourse against the consumer in the event that the net proceeds of the legal claim are insufficient to fully repay the amounts due under the contract.*

CURRENT LAW: State law currently does not regulate business transactions under which individuals in need of funds as a result of an event giving rise to a legal claim are advanced funds to be used only for expenses unrelated to the legal claim, to be repaid only out of the net proceeds of any recovery the consumer obtains from the legal claim.

BILL ANALYSIS:

Section 1 of Senate Bill 176 would add a new Article 94 in Chapter 58 of the General Statutes, entitled the "Consumers in Crisis Protection Act."

New Article 94 would:

- Define a consumer legal funding transaction as a nonrecourse transaction in which a consumer sells an unvested, contingent future interest in the potential net proceeds of a settlement or judgment obtained from a legal claim so long as the consumer uses the funds to address personal needs or household expenses. The consumer would be prohibited from using the funding to pay attorneys' fees or other litigation-related expenses and could not be required to use the funds in any particular manner.
- Require a consumer legal funding company to register with the Commissioner of Insurance and to pay a nonrefundable \$1,000 fee at the time of registration and upon each renewal, with renewal due every three years.
- Provide that a consumer legal funding transaction in compliance with the Article is not a loan and is not subject to any laws governing loans or investment contracts.
- Define net proceeds as the amount recovered by the consumer in the legal claim, after payment of attorneys' fees, litigation costs, certain liens, and ERISA contractual rights of recovery.

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- Provide that if the consumer obtains no net proceeds from the legal claim, the consumer is not obligated to repay the consumer legal funding company, and if the amount of any net proceeds obtained from the legal claim is insufficient to fully repay the funded amount and charges due under the contract, the consumer is not responsible to the company for any amount in excess of the net proceeds.
- Provide that the contract must contain a provision giving the consumer the right to rescind the contract within 10 business days from its execution or the consumer's initial receipt of any portion of the funded amount, by giving notice to the company and returning all funds provided to the consumer by the company.
- Require the contract to include certain disclosures and seven written attestations made by the attorney representing the consumer in the legal claim.
- Render the contract null and void if the consumer's attorney fails to provide the written attestations.
- Require the contract to include a statement of the maximum total amount to be assigned by the consumer to the consumer legal funding company, including the funded amount and all charges.
- Require the contracted amount to be paid by the consumer to be a predetermined amount based upon intervals of time from the funding date through the resolution date, and not to be determined as a percentage of the recovery from the legal claim.
- Provide that upon written request from the consumer or the consumer's attorney that includes an attestation as to the final amount of the gross proceeds from the legal claim, the consumer legal funding company would be required to reduce its charges to a maximum of twenty-five percent (25%) of the gross proceeds from the legal claim.
- Prohibit certain acts by a consumer legal funding company, including paying commissions or referral fees to or receiving commissions or referral fees from a consumer's attorney or health care provider, reporting a consumer to a credit reporting agency, providing legal advice to the consumer, attempting to influence the consumer's legal claim, collecting charges not authorized under the Article, or selling a consumer legal funding contract to a third party.
- Prohibit an attorney retained by a consumer for a legal claim, or any attorney who has referred the consumer to the consumer's retained attorney, from having a financial interest in the consumer legal funding company offering consumer legal funding to the consumer.
- Prohibit an attorney retained by a consumer for a legal claim from executing a consumer funding contract on the consumer's behalf.
- Provide that communications between the consumer's attorney and the consumer legal funding company necessary to determine the status or value of a legal claim is not discoverable in court. However, consumer legal funding contracts are presumed to be discoverable.
- Provide that, upon written request, a consumer must disclose to any party to a legal claim within 30 days of the request whether the consumer has entered into a consumer legal funding transaction.
- Authorize the Commissioner of Insurance to conduct an examination of a consumer legal finance company to determine the company's financial stability and compliance with the Article. The company may be required to reimburse the Department of Insurance for any reasonable costs or expenses associated with the examination.

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- Authorize the Commissioner of Insurance to adopt rules for proper enforcement of the Article.
- Grant disciplinary authority to the Commissioner of Insurance, including authority to impose a civil penalty of \$10,000 per violation.

Section 2 is a severability clause providing that if any provision of the act or its application to any person or circumstance is held invalid, it does not affect the validity of other provisions or applications of the act that can be given effect without the invalid provision or application.

EFFECTIVE DATE: This act would become effective October 1, 2025.