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Chairman Manning, Vice Chair Reynolds, Ranking Member Hicks-Hudson, and Members of the Senate Committee on Judiciary

My name is Eric Schuller, and I am the President of the Alliance for Responsible Consumer Legal Funding, also known as ARC.

ARC is the largest Trade Association that represents the companies that offer Consumer Legal Funding across the country to include here in Ohio.

Thank you for the opportunity to speak today regarding amended SB 10 and its implications for the Consumer Legal Funding industry in Ohio.

One of our primary concerns with the current version of SB 10 is its imposition of profit restrictions—set at 28% plus an additional 7%—which is unsustainable for companies operating in this space. Simply put, the economics of the business do not support this restriction. Let me explain:

The cost of capital for larger companies in the industry typically ranges from 10–12%, while for smaller companies it averages between 15–20%. On top of that, the operating costs, which include overhead, marketing, and day-to-day business functions, account for an additional 10%. Moreover, loss rates are substantial: approximately 10% of cases result in no recovery, and in 30–40% of cases, the repayment is less than the contracted amount. When averaged, the losses account for roughly another 20%. Therefore, a typical company must absorb:

- 15% in capital costs
- 10% in operational expenses
- 20% in average losses

This brings the total cost to around 45%, just to break even. The profit restrictions proposed in SB 10 would effectively eliminate the viability of this product, thereby removing a critical financial option for Ohio consumers.

Without access to Consumer Legal Funding, individuals in need may be forced to turn to high-interest alternatives such as credit cards. According to Investopedia, the average credit card APR as of June 2025 is 24%. A consumer who takes a \$5,000 cash advance and pays \$125 per month would need over 83 months to repay the balance—accumulating approximately \$5,400 in interest alone, not accounting for any missed payments, which would further increase the cost.

By contrast, Consumer Legal Funding requires no monthly payments and is only repaid if and when the consumer obtains a settlement—and only if there are sufficient proceeds out of that settlement. Consumers are never personally liable beyond the agreed settlement, and the transaction poses no risk of mounting debt or negative credit impact.

Importantly, the current version of HB 105—provides robust consumer protections that we fully support. These include:

- A clearly stated “will-not-exceed” amount in each contract
- A 42-month cap on obligations, regardless of the case’s duration

These features offer consumers an unmatched level of transparency and predictability not found in other financial products. As far as we are aware, no other consumer financial agreement gives such a precise cost certainty from day one.

This product has been regulated in Ohio since 2008, and to date, we are unaware of any complaints that have been filed with any state regulatory authority. This raises a key question: what problem is SB 10 trying to solve, other than eliminating a valuable tool that helps vulnerable Ohioans manage financial burdens during ongoing litigation?

We firmly believe that consumers prefer to enter a financial transaction where:

- The total cost is known upfront
- Payment is contingent on successful case resolution
- There is no monthly repayment obligation

There also appears to be some misunderstanding around Consumer Legal Funding. This is not Litigation Financing. Litigation Financing is a business-to-business financial transaction that supports the costs of legal proceedings. Consumer Legal Funding, however, is a business-to-consumer solution. The funds are used by individuals to pay for essential living expenses—not legal expenses—while they await resolution of their legal claim.

To illustrate the scope of the market, in 2023 there were approximately 5,456 Consumer Legal Funding transactions in Ohio. Of these, more than 80% were associated with automobile-related claims. When compared to the 253,039 reported vehicle crashes reported by the [Ohio Department of Transportation](#) in 2023, this represents a usage rate of just 1.23% in auto related cases. This is hardly a widespread or systemically problematic practice.

What this data clearly shows is that Consumer Legal Funding is not a widespread driver of litigation or abuse in the system. Rather, it’s a niche, free market financial solution that helps people like Victoria from Cincinnati, who stated: *“I am able to pay my car and Duke bill without being penalized or having disconnections or a repossession of my car.”* Or John from Broadview Heights, who said: *“You are sending me money I need to survive on until I get back to work. This money will go for bills and food.”* Additionally, current Ohio statute requires that a consumer already have a legal claim pending, and they are represented by an attorney who is working on a contingency basis.

The false claim that Consumer Legal Funding is being used to generate more litigation or fund that litigation is patently false. Again, that is what commercial litigation financing is used for, but it is my understanding this product is only used in business-to-business litigation.

In conclusion, while we are not opposed to updating Ohio's current statute, we respectfully urge the Committee to consider whether SB 10 is truly addressing an identifiable problem or inadvertently removing a lifeline for Ohioans in need. We welcome the opportunity to work with lawmakers to refine regulations in a way that protects consumers while preserving access to this essential financial resource.

Thank you for your time and consideration.

Sincerely,

Eric Schuller

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