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# OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research  
and Drafting

Legislative Budget  
Office

**H.B. 105**  
**136<sup>th</sup> General Assembly**

## Bill Analysis

[Click here for H.B. 105's Fiscal Note](#)

**Version:** As Passed by the House

**Primary Sponsors:** Reps. Craig and J. Thomas

Nick Thomas, Research Analyst

## SUMMARY

### General overview

- Repeals the law governing non-recourse civil litigation advance contracts and replaces it with two subsets of regulations: one for commercial litigation financing agreements (“commercial agreements”) and another for consumer legal funding agreements (“consumer agreements”).

### Contract requirements

- Retains the majority of the contract-related requirements under current law, but limits application of those requirements to consumer agreements, i.e., contracts with an individual that resides in Ohio for \$400,000 or less.
- Adds several new contract requirements for consumer agreements, including that the contract include an explanation of how charges accrue and that it specify that the consumer owes nothing if there are no proceeds from the civil claim.
- Requires a consumer agreement to allow the consumer to cancel, without penalty, within ten business days after receiving payment, as opposed to five days after receiving funds under current law.
- Requires both consumer agreements and commercial agreements to prohibit the consumer legal funding company (“company”) or commercial litigation financier (“financier”) from interfering with decisions about the civil claim.
- Prohibits companies and financiers from contracting with persons or entities not domiciled in the U.S. or contracting for the proceeds of a claim that is financed by such a person or entity.

- Prohibits consumers and entities from entering into a consumer legal financing agreement or a commercial litigation financing agreement with a person or entity that is not domiciled in the United States.

### **Attorney requirements**

- Requires attorneys that represent a consumer with respect to a consumer agreement to execute an acknowledgment, similar to the one required by current law, stating that the attorney has reviewed the agreement, is working on a contingency basis, and will disburse proceeds of the litigation through a trust or settlement fund.
- Prohibits such an attorney from accepting a referral fee or other consideration from the company.
- Requires attorneys to follow all applicable rules of professional conduct adopted by the Supreme Court of Ohio in all aspects of the transaction.
- Prohibits an attorney involved in a commercial agreement from sharing documents or information subject to a protective or sealing order from a court with the financier.

### **Company requirements**

- Prohibits a company from paying a referral fee to an attorney, law firm, medical provider, chiropractor, physical therapist, or an employee or agent of the foregoing.
- Prohibits a company from accepting a commission, referral fee, rebate, or other form of payment from the professionals described above.
- Prohibits a company from engaging in false or misleading advertising.
- Requires a company to promptly provide copies of the consumer agreement to the consumer and the attorney representing the consumer.
- Prohibits a company from attempting to obtain a waiver of any remedy allowed by the bill.
- Prohibits a company from knowingly entering into a consumer agreement respecting a legal claim the proceeds of which are already pledged under a previous agreement.
- Prohibits a company from charging a one-time fee in excess of 7% of the initial funded amount under the consumer agreement.
- Prohibits a company from entering into a consumer agreement if the attorney or law firm retained by the consumer has a financial or ownership interest in the company.

### **Lien**

- Provides that a consumer agreement places a lien on the proceeds of the consumer's legal claim superseding subsequently perfected liens, with exceptions.

## Registration

- Requires companies and financiers to register with the Attorney General, under a process the Attorney General establishes, prior to commencing any business in Ohio.

## Required disclosures

- Requires the disclosure of consumer agreements and commercial agreements to the Attorney General upon resolution of the related claim.
- Requires the disclosed agreements to be published to the Attorney General’s publicly accessible website.

## Enforcement and penalties

- Subjects violations of the bill’s provisions governing consumer agreements to the Ohio Consumer Sales Practices Act (CSPA), permitting enforcement by the Attorney General and providing a private right of action.
- Specifies that a willful violation of the consumer agreement requirements under the bill makes the contract legally unenforceable by the company, the consumer, or the successor in interest to the contract.
- Allows the Attorney General to file a complaint and seek a remedy against a company or financier that is found by a court to have violated the provisions of the bill.

## Legislative intent

- States that the bill’s provisions prohibiting consumer and commercial agreements with foreign persons and respecting lawsuits financed by foreign persons are intended to protect due process rights for all litigants in Ohio courts.
- Specifies that the General Assembly intends to preserve the common law doctrine against champerty and maintenance with respect to agreements other than those directly addressed by the bill.

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## DETAILED ANALYSIS

### General overview

The Ohio Consumer Sales Practices Act (CSPA) authorizes nonrecourse civil litigation advance contracts in which a third party provides funds to the plaintiff in a lawsuit (referred to as the “consumer”) in exchange for the right to a portion of the proceeds obtained in the settlement or judgment of the case. The CSPA also addresses the form and content of those contracts.<sup>1</sup> The bill repeals those CSPA provisions and enacts a new series of regulations split into two categories: “commercial litigation financing agreements” and “consumer legal funding agreements.”

Under the bill, consumer legal funding agreements (hereafter, “consumer agreements”) are contracts wherein a consumer legal funding company (hereafter, “company”) purchases the contingent right to receive an amount of the potential proceeds obtained in a consumer’s legal claim. The term includes only agreements with natural persons who reside or are domiciled in Ohio. It excludes any agreement involving a cash payment to the consumer of \$400,000 or more.<sup>2</sup>

Commercial litigation financing agreements (hereafter, “commercial agreements”) are written contracts wherein a third party, in most cases, a commercial litigation financier (hereafter, “financier”) provides funds to a party in a civil action or a law firm that represents a party in a civil action in exchange for an interest in any proceeds from the action. The term does not include consumer agreements, agreements by attorneys to work on a contingency basis, obligations to pay under a health insurance plan, loans provided to the consumer that are not contingent upon the outcome of a case, or preexisting contractual obligations to indemnify or defend a party to a case.<sup>3</sup>

### Contract requirements

The bill repeals CSPA provisions concerning the form and content of nonrecourse civil litigation advance contracts, which appear to include most consumer agreements and commercial agreements addressed by the bill. The bill largely replicates the CSPA provisions with

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<sup>1</sup> R.C. 1349.55, repealed.

<sup>2</sup> R.C. 1357.01(E) and (F).

<sup>3</sup> R.C. 1357.01(D).

respect to consumer agreements, which must include how to effectuate cancellation of an agreement and all-capitalized notices of consumer rights under the agreements. The bill also establishes several supplemental contract-related requirements for those agreements.<sup>4</sup> However, the bill is mostly silent with respect to the form and content of commercial agreements. The table below compares the contract requirements under current law and those that apply under the bill.

Contract Requirements		
Nonrecourse Civil Litigation Advance Contracts (R.C. 1349.55, repealed)	Consumer Agreements (R.C. 1357.03 and 1357.04)	Commercial Agreements (R.C. 1357.09)
Requires the contract to be completely filled-in, include the consumer's initials on each page, and advise the consumer to consult an attorney (R.C. 1349.55(B)(1), (B)(4), and (B)(5), repealed).	Same as nonrecourse civil litigation advanced contracts under current law (R.C. 1357.03(A)(1), (A)(2), and (A)(5)(d)).	No provision.
Requires the contract to disclose the total amount advanced to the consumer (R.C. 1349.55(B)(1)(a), repealed).	Same as nonrecourse civil litigation advanced contracts under current law, but the amount advanced to the consumer is referred to as the "funded amount" (R.C. 1357.03(A)(3)(a)).	No provision.
Requires the contract to include an itemization of one-time fees (R.C. 1349.55(B)(1)(b), repealed).	Similar to nonrecourse civil litigation advanced contracts under current law but requires the list to include both one-time and recurring charges and an explanation of how those charges accrue (R.C. 1357.03(A)(3)(b)).	No provision.
Requires the contract to disclose the total amount to be repaid by the consumer, in six-month intervals, for 36	Requires the contract to disclose the maximum amount that may be assigned by the consumer to the company under the agreement, including	No provision.

<sup>4</sup> R.C. 1537.03(A).

Contract Requirements		
Nonrecourse Civil Litigation Advance Contracts (R.C. 1349.55, repealed)	Consumer Agreements (R.C. 1357.03 and 1357.04)	Commercial Agreements (R.C. 1357.09)
months, including all fees (R.C. 1349.55(B)(1)(c), repealed).	all charges, but excluding penalties that may apply in the case of breach, fraud, or misrepresentation (R.C. 1357.03(A)(3)(c)).  Requires, if the consumer seeks to enter into more than one agreement, the contract to disclose the cumulative amounts that may be assigned under all such contracts (R.C. 1357.03(A)(3)(d)).	
Requires the contract to disclose the annual percentage rate of return, calculated as of the last day of each six-month interval, including frequency of compounding (R.C. 1349.55(B)(1)(d), repealed).	No provision.	No provision.
Permits the consumer to cancel the contract, without penalty, within five business days after receiving funds (R.C. 1349.55(B)(2), repealed).	Similar to nonrecourse civil litigation advanced contracts under current law but extends the cancellation period to 10 business days after the "funding date" (R.C. 1357.03(A)(4)).	No provision.
Requires the contract to specify that the company has no right to make decisions respecting the civil claim or the resolution of the civil claim (R.C. 1349.55(B)(3), repealed).	Similar to nonrecourse civil litigation advanced contracts under current law, but modifies the language required to be included in the agreement (R.C. 1357.04(G)).	Similar to nonrecourse civil litigation advanced contracts under current law, but modifies the language required to be included in the agreement (R.C. 1357.09(B)).
No provision.	Requires the agreement to specify that the consumer will not owe anything if there are no proceeds from the civil claim (R.C. 1357.03(A)(5)(c)).	No provision.

Contract Requirements		
Nonrecourse Civil Litigation Advance Contracts (R.C. 1349.55, repealed)	Consumer Agreements (R.C. 1357.03 and 1357.04)	Commercial Agreements (R.C. 1357.09)
Requires the contract to be offered to be translated for English, French, and Spanish-speaking consumers (R.C. 1349.55(B)(7), repealed).	No provision.	No provision.

## Attorney requirements

### Current law

Existing law requires an attorney retained by a consumer with respect to a nonrecourse litigation advance contract to provide a written acknowledgement stating that the attorney has reviewed the agreement, is working on contingency, that all proceeds from the litigation will be disbursed via a trust or settlement fund to the consumer, and that the attorney is following the instructions of the consumer. Nonrecourse litigation advance companies are prohibited from imposing a greater duty on an attorney representing a consumer in the underlying civil claim than the duties that apply to the attorney under the Rules of Professional Conduct.<sup>5</sup>

### Consumer agreements

The bill requires the same written acknowledgements for an attorney retained by a consumer with respect to a consumer agreement. The bill adds that the attorney must not accept a referral fee or other consideration from the company and must not provide tax, public or private benefit planning, or financial advice regarding the agreement. The bill prohibits attorneys retained by a consumer from disclosing confidential or privileged information to the company without the written consent of the consumer.<sup>6</sup>

Unlike current law, the bill does not include a provision limiting the duties that may be imposed on an attorney by a consumer agreement.

### Commercial litigation financing agreements

The bill prohibits any claimant, including attorneys and law firms representing a client, or any affiliated attorney or law firm, with respect to a commercial agreement, from sharing documents or information with a financier that are subject to a protective or sealing order from a court.<sup>7</sup>

<sup>5</sup> R.C. 1349.55(B)(6) and (C), repealed.

<sup>6</sup> R.C. 1357.03(A)(6) and (7) and 1357.05(A).

<sup>7</sup> R.C. 1357.09(A).

## Attorney requirements

The bill prohibits a law firm or attorney that has a financial interest in a consumer legal funding company, as well as any attorney whose family member has a financial interest in a consumer legal funding company from doing any of the following:

- Representing a consumer in any legal claim respecting which the consumer has a financial interest in a consumer legal funding agreement with the company;
- Providing consumer legal funding directly to a consumer the attorney or law firm represents;
- Referring a consumer to the consumer's retained attorney in any legal claim respecting which the consumer has entered into a consumer legal funding agreement with the company.<sup>8</sup>

## Company requirements

The bill defines "consumer legal funding company" as a person or entity that enters into a consumer legal funding agreement with a consumer. Banks, lenders, and other entities that provide financing to a company are excluded from the definition. The definition also excludes attorneys and accountants who provide services to a consumer and the family members of the consumer. For purposes of the bill, "family member" is defined as being a spouse, sibling, child, including adopted children and stepchildren, parent, grandparent, aunt, uncle, cousin, or grandchild.<sup>9</sup>

## Prohibited actions

The bill prohibits a company from doing any of the following:

- Paying or offering to pay a commission, referral fee, or any other form of consideration to any attorney, law firm, medical provider, chiropractor, or physical therapist, or to any of their employees or agents for a referral;
- Accepting a commission, referral fee, rebate, or any other form of consideration from any of the preceding persons and entities;
- Purposefully "advertising," i.e., publishing, disseminating, circulating, or placing before the public any written, oral, electronic, or printed communication for the purpose of inducing a consumer to enter into a consumer agreement, false or misleading information regarding the company's products or services;
- Referring a consumer or potential consumer to a specific attorney, law firm, medical provider, chiropractor, or physical therapist or to any of their employees or agents (but if a consumer does not have legal representation, the company may refer the consumer to

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<sup>8</sup> R.C. 1357.05(B).

<sup>9</sup> R.C. 1357.01(G) and (J).

a local or state attorney referral service operated by a bar association or nonprofit organization, or to a legal aid society);

- Failing to promptly supply copies of all complete consumer agreements to the consumer and the attorney representing the consumer;
- Attempting to obtain a waiver of any remedy, including damages, to which the consumer might otherwise be entitled;
- Knowingly enter into a consumer agreement for a legal claim to which the consumer previously sold or assigned part or all of their rights to the proceeds, unless the company or consumer extinguishes the prior agreement;
- Make or influence any decision with respect to the conduct of the consumer's legal claim or settlement;
- Knowingly pay or offer to pay for court costs, filing fees, or attorney's fees before, during, or after the resolution of the legal claim;
- Charge or collect from the consumer either of the following in connection with a consumer agreement:
  - A prepayment penalty or fee; or
  - Charges in excess of 7% of the funded amount per year.
- Entering into a consumer agreement if an attorney or a law firm retained by a consumer in a civil claim or action on which the consumer agreement is based has any financial interest or ownership in the company.

The bill also prohibits both of the following actions, a violation of which renders the related funding agreement void ab initio (invalid from the start):

- Colluding with or knowingly assisting a lawyer or law firm that is enticing or intends to entice a consumer to bring a claim that the company knows or has reason to know is fabricated or otherwise not brought in good faith;
- Knowingly offering or colluding to provide funding as an inducement to a consumer who is presently represented by counsel to terminate that engagement and engage another lawyer or law firm to represent the consumer in the same matter.<sup>10</sup>

## **Financier requirements**

The bill defines "commercial litigation financier" as a person engaged in the business of entering into commercial litigation financing agreements with claimants, or with lawyers or law firms representing claimants. The term excludes nonprofit organizations and persons that fund nonprofit organizations, so long as the nonprofit organization represents the claimant for free.<sup>11</sup>

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<sup>10</sup> R.C. 1357.01(A) and 1357.04.

<sup>11</sup> R.C. 1357.01(C).

The bill prohibits a financier from making any decision or otherwise having any influence on the legal case, such as changing or appointing counsel, the choice or use of expert witnesses, litigation strategy, or a settlement of the case. As discussed above under “**Attorney requirements**,” no party may share documents or information with a financier that are subject to a protective or sealing order from a court.<sup>12</sup>

## **Lien placed by consumer agreements**

The bill provides that a consumer agreement places a lien on the proceeds of the consumer’s legal claim that supersedes all subsequently perfected liens on the proceeds other than liens directly related to the legal claim and authorized by state or federal law. This includes a lien for attorney’s fees, a lien by the Department of Medicaid for the cost of medical assistance, a Medicare lien, or a workers’ compensation lien.<sup>13</sup>

## **Registration**

Beginning 90 days after the effective date of the bill, all consumer legal funding companies and commercial litigation financiers are required to register with the Attorney General prior to commencing any business activity in this state. The Attorney General is required to establish a process that allows companies and financiers to register. The registration is required to include, at minimum, all of the following:

- The company’s or financier’s company name and domiciliary address;
- The names of the company’s or financier’s chief executive officer and chair of the board of directors;
- A statement as to whether or not the company or financier’s company is part of a larger group of companies;
- An acknowledgment certified by an officer or duly appointed employee of the company that the company’s financiers or commercial litigation financier’s financiers have read the provisions of the bill.<sup>14</sup>

## **Mandatory disclosures**

The bill requires the attorney or attorneys representing a party that has entered into either a consumer legal funding agreement or a commercial litigation financing agreement at the time the associated claim is resolved to disclose the existence and contents of the agreement to the Attorney General, in a form and manner prescribed by the Attorney General, within 14 days of any of the following:

- The related legal claim being settled, but only if the legal claim was filed in a court of competent jurisdiction prior to settlement;

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<sup>12</sup> R.C. 1357.09(A) and (B).

<sup>13</sup> R.C. 1357.06; R.C. 5160.37 and 4123.931, not in the bill.

<sup>14</sup> R.C. 1357.02 and 1357.08.

- A final appealable order is entered by the court;
- An adjudication or order is entered indicating that the legal claim has reached the final stage at the trial court.

Any party to a civil proceeding may seek a court order declaring that the trial has completed for purposes of this disclosure. And the court is authorized to take any action necessary to enforce these disclosure requirements.

Upon receiving such a disclosure, the Attorney General is required to promptly publish the contents of the agreement to the Attorney General's publicly accessible website. Prior to making an agreement available, the Attorney General must redact all legally required confidential information from the disclosure, including any information that could identify the consumer or plaintiff.

The bill specifies that any provision of either a consumer legal funding agreement or a commercial legal financing agreement that prohibits or limits discovery of the agreement or the parties to the agreement is void and unenforceable.<sup>15</sup>

## **Enforcement and penalties**

### **Consumer agreements**

The bill establishes that a violation of the consumer legal funding agreement law constitutes an unfair or deceptive act or practice in violation of the CSPA.<sup>16</sup> Under existing law, the Ohio Attorney General has broad authority to enforce the CSPA, including suing for injunctive relief and civil penalties. Additionally, the consumer has a private right of action and can sue the company to rescind the agreement or to recover the consumer's actual economic damages plus up to \$5,000 in noneconomic damages. If the company's violation is an act or practice that has already been declared deceptive or unconscionable by the Attorney General or by a court, then the consumer may sue to rescind the transaction or recover three times the amount of the consumer's actual economic damages.<sup>17</sup>

In addition, the bill specifies that a willful violation of the consumer legal funding agreement law makes the agreement legally unenforceable by the company, the consumer, or the successor in interest to the agreement.<sup>18</sup>

If a company or financier is found by a court to have violated either the Consumer the applicable provisions of the bill, the bill authorizes the Attorney General to file a complaint seeking any equitable remedy. Such remedy may include barring the company or financier from doing business in Ohio.<sup>19</sup>

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<sup>15</sup> R.C. 1357.05(C) to (E) and 1357.09(C) to (E).

<sup>16</sup> R.C. 1357.03(B) and 1345.02, not in the bill.

<sup>17</sup> R.C. 1345.09(A) and (B), not in the bill.

<sup>18</sup> R.C. 1357.03(C).

<sup>19</sup> R.C. 1357.10.

## Foreign entities

The bill prohibits consumer legal funding companies and commercial litigation financiers from knowingly entering into a consumer legal funding agreement or commercial litigation financing agreement, as applicable, with a person or entity that is not domiciled in the United States or respecting a legal claim that is financed, directly or indirectly, by a person or entity not domiciled in the United States.

Consumers and other entities are similarly prohibited from entering into such an agreement with a person or entity that is not domiciled in the United States.<sup>20</sup>

## Legislative intent

The bill specifies that, by prohibiting consumer and commercial agreements with foreign persons or entities and respecting civil actions that are financed by foreign persons or entities, the General Assembly intends to protect due process rights for all litigants in Ohio courts. The bill states that the prohibitions address “the grave risk posed by foreign actors that seek to interfere with those courts.”<sup>21</sup>

More broadly, the bill states that the General Assembly intends to address a narrow range of consumer and commercial agreements while “preserving and reinforcing the general policy . . . against champerty and maintenance” set forth in *Rancman v. Interim Settlement Funding Corp.* In *Rancman*, the Ohio Supreme Court held that a civil litigation advance contract resembling the consumer contracts addressed under the bill was void as champerty and maintenance because it gave a nonparty an impermissible interest in the suit, impeded the settlement of the underlying case, and promoted speculation in lawsuits. The holding states that “maintenance” is providing assistance to a party in a lawsuit despite not having a bona fide interest in the case. “Champerty” is a form of maintenance in which a person without a bona fide interest in the case acquires an interest in a portion of the proceeds derived from settlement or judgment.

The opinion provides that a legislative enactment or the Code of Professional Responsibility may override the common law doctrine against champerty and maintenance. The legislative intent language in the bill indicates that the General Assembly does not intend to overturn the doctrine, but only to authorize and regulate certain types of agreements.<sup>22</sup>

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<sup>20</sup> R.C. 1357.07(A), (B), and (C).

<sup>21</sup> R.C. 1357.07(D).

<sup>22</sup> R.C. 1357.011; *Rancman v. Interim Settlement Funding Corp.*, 99 Ohio St.3d 121 (2003).

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## HISTORY

Action	Date
Introduced	02-18-25
Reported, H. Insurance	11-18-25
Passed House (76-14)	11-19-25

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